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Task Force on Labour Relations

Study No. 20

Labour-Management Relations in the Railway Industry

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Ottawa

TASK FORCE ON LABOUR RELATIONS

STUDY NO. 20

**LABOUR-MANAGEMENT RELATIONS IN
THE RAILWAY INDUSTRY**

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Ph.D. (London)

Department of Economics
UNIVERSITY OF CALGARY

PRIVY COUNCIL OFFICE

OTTAWA

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P R E F A C E

Considering the nature of this study, its completion would not have been possible without the co-operation of the parties involved. Specifically, I should like to express my appreciation to the following: Mr. A. R. Gibbons, Executive Secretary, Canadian Railway Labour Executives' Association; Mr. William J. Smith, National President, Canadian Brotherhood of Railway, Transport and General Workers; Mr. R. G. Smith, Chairman, General Conference Committee, Associated Non-Operating Railway Unions; Mr. Stewart Wells, Research Director, International Railway Unions Research Bureau; the Canadian Railway Labour Executives Association; Mr. Alan J. Bates, Manager, Industrial Relations Research, C.N.R., Mr. E. L. Murray, Industrial Relations Research, C.N.R., Mr. Jack Anderson, Manager, Labour Relations Department, C.P.R., and their associates; Mr. John Kinley, Research Director, Ontario Department of Labour (formerly on the Labour Relations Research Staff of the C.N.R.); Mr. William Kelly, Director, Conciliation Branch, Canada Department of Labour; and Professor Jack Weldon, Department of Economics, McGill University.

DECEMBER 1967

Stephen G. Peitchinis.

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CHAPTER I

THE INDUSTRY—ITS ESTABLISHMENT, ORGANIZATION AND OPERATION

1. INTRODUCTION

Before embarking upon an examination of the development and state of labour-management relations in the railway industry, it is desirable to set out briefly the factors which influenced the development of the Canadian railway system; the state of labour organization and nature of collective bargaining in the railway industry; and the measures introduced by the Government to ensure the peaceful settlement of labour-management disputes, the provision of adequate railway services, and the prevention of monopolistic practices.

The development of Canadian railways was influenced by political considerations to such an extent that a knowledge of the circumstances under which they were initiated and operated over the years is indispensable to an understanding of certain factors which bore on the determination of the railwaymen's wages and influenced the relations between labour and management. Because the primary motive for the construction and operation of the early Canadian railways was to create the economic and political union of the Dominion, no Canadian administration could allow the interruption

of railway services by strike or lockout. Hence, as far back as 1903 one finds statutory provisions for the settlement of railway labour-management disputes. 1/ An examination of the emergence, state, structure and rivalries among the organizations of railwaymen, and the relationship between their representatives and those of management may reveal the development, nature and state of collective bargaining in the industry. Finally, the ability of the industry to pay wages and provide satisfactory benefits and conditions of employment is to a large extent dependent upon its ability to manipulate the prices for the services it renders; an examination of the legislation pertaining to railway charges, and of the body entrusted with their regulations, is therefore necessary.

Unlike any other industry, the railways perform functions which are not only nationwide but also continuous from coast to coast. Although many of their services can be designated as regional, and even local, they are a function of the continuous flow of the inter-regional services. Because of this interdependence of regional and local railway services, the co-ordination of operations is vital to the efficient performance of the industry. A degree of conflict emerges here: on the one hand, the vastness of Canada from coast to coast, and hence of the railway system, compels decentralization in operations—regional specialization and autonomy; on the other, the continuous inter-regional nature of many operations compels close inter-regional co-ordination, leading to centralization. This has important implications for labour-management relations: it bears on the wage structure of railway workers throughout Canada; it affects the mobility of railway workers; it has serious repercussions on the efficiency with which grievances are settled; and it bears on the ability of union officers to communicate with their members.

Another aspect of the railway industry with significant implications for labour-management relations is the concept of being a public utility. Most pre-war legislation had recognized that every railway company had some measure of monopoly and must be treated as such. In this sense the Acts represented no more than anti-monopoly legislation designed specifically to meet the special characteristics of one industry. No attempt had been made to provide guidance for the development of a well-integrated railway system.

2. THE ROLE OF THE DOMINION GOVERNMENT IN
THE DEVELOPMENT OF CANADIAN RAILWAYS. 2/

The railways in Canada, like the roads and canals, almost from the outset were matters of national concern. The Government initiated, approved and encouraged railway undertakings; advanced loans, extended subsidies in cash and in land, and guaranteed securities as to principle and interest to almost all railway companies. The extensive Government involvement was the natural outcome of the same factors as caused a vast system of lines to be built through hundreds of miles of uninhabited or sparsely populated areas—namely, political considerations, and a projection of the nature and course of the nation's economic development. Unlike, for instance, the British railways which came into being as private commercial enterprises to supply a service for which the demand largely existed, the Canadian railways were constructed for the purpose of opening up the land for settlement and industry, and hence for creating demand.

From Confederation (1867) to December 31, 1931 the Dominion Government's railway expenditures, representing cash and credit, amounted to \$2,652 million. 3/ To induce the construction of private railways, in advance of settlement—"colonization roads"—or through sparsely populated areas where

the available traffic would not have attracted the provision of commercial transport facilities, all levels of Government—Dominion, Provincial and Municipal—extended assistance to promoters in the form of fixed amounts of cash per mile of line constructed, guarantees of bond issues, and grants of land. (See Table I)

TABLE I

Land Granted to Steam Railways by the Dominion
and Provincial Governments to December 31, 1939.

<u>Railway</u>	<u>Granted By</u>		<u>Total</u>
	<u>Dominion Gov't.</u>	<u>Provincial</u>	
	Acres	Acres	Acres
Canadian National.....	5,763,741	1,841,095	7,604,836
Canadian Pacific.....	26,109,043	10,847,333	36,956,376
All Other Railways.....	8,858	3,069,939	3,078,797
Total to all Railways	31,881,642	15,758,367	47,640,009

Source: The Canada Year Book, 1941, p. 552.

Of the total grants to all railways only 347,636 acres were for the purpose of right-of-way, station grounds, and townsites; the remaining were unqualified bonuses. 4/ Thus, for every mile of railway in existence in 1939 over 1,117 acres of land had been granted. Most of the land grants were extended before 1900. As population expanded and demands for land suitable for settlement increased, opposition to the land grant method forced the Governments to replace it by cash subsidies or loans. (See Table II)

TABLE II

Cash Subsidies Granted to
Steam Railways to December 31, 1939.

<u>GOVERNMENT GRANT</u>				
<u>Railway</u>	<u>Dominion</u>	<u>Provincial</u>	<u>Municipal</u>	<u>Total</u>
Canadian National	\$ 64,403,853	\$ 16,677,208	\$ 7,393,866	\$ 88,474,927
Canadian Pacific*	99,860,984	14,587,592	4,610,157	119,058,733
All Other Railways	<u>7,935,386</u>	<u>2,126,869</u>	<u>1,297,668</u>	<u>11,359,923</u>
TOTAL	172,200,223	33,391,691	13,301,691	218,893,583

*Includes grants given to various companies
which were subsequently acquired.

Source: The Canada Year Book, 1941, p. 553.

No new land or cash subsidies have been granted by either the Dominion or the Provincial Governments since 1939. 5/ The Tables show that the privately owned Canadian Pacific Railway was the largest recipient of both land and cash subsidies.

Today the Canadian railway system is dominated by the Canadian National Railway and the Canadian Pacific Railway Company whose combined traffics amount to about 90% of the nation's total. The Canadian Pacific was initiated in 1874 as a public enterprise for the fulfilment of a political obligation, 6/ and completed in 1886 by a private syndicate. To induce the syndicate to undertake the completion of the line it was given the 710 miles of line already constructed at a cost of \$37,791,435, a cash subsidy of \$25,000,000, and a land subsidy of 25,000,000 acres which was not "the least

fertile nor the most inaccessible". 7/ The company's charter stipulated that the railway would be exempt for ever from Dominion taxes on capital stock and on operating property, its charges would not be regulated for 25 years, provided that the return to capital did not exceed 10 percent per annum, and it was guaranteed that no charter would be issued to any company to build between its line and the United States border for twenty years. 8/ This large scale public endowment enabled the company to complete the line, and commence operations, without having to become heavily indebted and incur interest charges before having begun to earn revenue, as was the experience of its eastern and subsequently western competitors. The company became the first fully integrated railway system in Canada serving both agricultural and industrial areas. By opening up good agricultural land for cultivation and settlement, by exploiting vast timber areas, coal fields, and mineral deposits, and through the acquisition of gas and oil rights, it obtained sufficient revenue not only to compete successfully with the railways whose operations were subsidized by the Government, but also to become well equipped and to maintain a substantially uninterrupted through traffic. The provision limiting return to the company's capital to 10 per cent for 25 years enabled it to accumulate substantial surplus revenue for improvements in machinery, plant and equipment, and investment in subsidiary enterprises. In 1918 the president of the Canadian Pacific declared that it had been the practice of the company to distribute to ordinary shareholders an annual dividend of 7 per cent and carry the remainder to surplus for improvement of property. The company also received "a substantial annual return on investments of one character or another...", which, exclusive of land sales, gave an annual return in excess of \$10 million. Out of this amount ordinary shareholders were given a dividend of 3 per cent or a total of 10 per cent annually. 9/

TABLE III

Canadian Pacific Railway Company -
Railway Revenues and Expenditures,
Net Rail Operating Income, Net Income after
Fixed Charges, and Retained Income Balance,
1923 to 1965

(in thousands of dollars)

<u>Year</u>	<u>Rail Revenues</u>	<u>Rail Expenses</u>	<u>Net Rail Operating Income</u>	<u>Net Income After Fixed Charges</u>	<u>Retained Income Balance</u>
1923	\$212,218	\$171,903	\$40,316	\$34,444	\$146,419
1924	197,546	159,056	38,490	31,875	148,001
1925	201,177	155,493	45,684	35,920	153,615
1926	217,360	164,743	52,616	40,348	164,082
1927	221,421	173,817	47,604	34,900	168,673
1928	251,567	189,603	61,965	48,857	183,632
1929	233,340	180,405	52,935	41,773	189,297
1930	196,212	153,751	42,461	35,698	186,356
1931	154,963	124,449	30,514	11,502	175,589
1932	130,451	105,555	24,896	424	167,070
1933	120,431	94,871	25,560	1,257	151,994
1934	131,947	101,275	30,672	6,470	145,913
1935	135,209	107,776	27,433	2,832	139,505
1936	143,990	115,240	28,750	6,029	138,533
1937	151,505	121,811	29,693	9,462	139,951
1938	150,363	122,990	27,373	1,262	136,970
1939	159,863	124,574	35,289	9,782	141,354
1940	182,070	136,515	45,555	20,145	144,045
1941	234,621	168,939	65,682	34,361	170,386
1942	272,269	195,415	76,854	40,354	201,250
1943	314,332	229,513	84,819	42,983	231,234
1944	337,111	266,773	70,337	34,700	251,715
1945	335,628	274,379	61,249	31,614	262,773
1946	314,527	272,997	41,531	25,135	269,127
1947	343,301	299,990	43,311	31,894	279,124
1948	380,006	350,496	29,510	27,394	196,737
1949	389,816	358,850	30,966	29,725	206,731
1950	405,856	349,284	56,572	47,867	224,636
1951	460,370	410,442	49,928	43,307	252,947
1952	492,982	438,344	54,639	39,079	270,456

TABLE III

(Continued)

<u>Year</u>	<u>Rail Revenues</u>	<u>Rail Expenses</u>	<u>Net Rail Operating Income</u>	<u>Net Income After Fixed Charges</u>	<u>Retained Income Balance</u>
1953	\$509,314	\$456,652	\$52,663	\$31,450	\$283,294
1954	461,040	411,536	49,504	29,826	292,146
1955	488,290	419,758	68,532	44,032	314,930
1956	548,535	505,622	42,912	55,618	452,980
1957	530,357	490,977	39,379	46,785	487,321
1958	511,191	473,190	38,001	32,903	503,792
1959	523,915	486,251	37,664	31,289	515,267
1960	502,205	466,718	35,487	28,971	523,688
1961	510,810	471,548	39,262	32,461	539,655
1962	597,087	466,411	30,676	32,358	553,810
1963	518,621	481,873	36,748	40,126	597,930
1964	554,895	509,970	44,925	44,070	681,988
1965	566,637	524,513	42,124	41,476	705,136

Source: D.B.S. Canadian Pacific Railway Company (Catalogue No. 52-202).

Considering the extensive public assistance 10/ and privileges granted to the Canadian Pacific Railway, it is not surprising that the Canadian people have been critical of any measures which might enable the company to make what they regard as excessive profits, (Table III) 11/ and that railway labour has consistently refused to consider ability to pay as a wage criterion, and has often appealed to the Government to compel the railways to raise the living standards of their employees.

The Canadian National Railway system came into existence in 1923 through the consolidation of a number of bankrupt railways which the Government could not allow to go into receivership from fear that the public and private credit of the nation would be impaired. One of these railways was the Grand Trunk Railway which was British owned and directed from London. Since more than 70% of the foreign investment capital in Canada between 1900 and 1913 came from the London money market—\$1,753 million out of a total of \$2,545 million—the Government was reluctant to allow the company to default. 12/ The other major company taken over by the Government was the Canadian Northern which had borrowed heavily on its securities from the Bank of Commerce. To allow the railway to go into receivership would have caused the Bank's failure and financial panic. 13/

The system could never achieve full integration like its rival the Canadian Pacific, because the constituent lines were originally built to compete with one another; but it was considered not "in the public interest" to abandon some of them. In addition, many of these lines were built in prospective agricultural and mining areas which failed to develop in time, rendering their heavy bonded indebtedness a burden far beyond their earning capacity.

The National system's future profitability was further impaired by the Government's policy of periodically transferring to it bankrupt lines acquired because it was politically and socially necessary to maintain their operation. Furthermore, in addition to the system's heavy burden in having to maintain unremunerative services, the Government transferred to it all the debts of the constituent companies, which means in effect that the Government transferred its own railway debt to the national system. As a result, during the 43 years of its operation as a national system, the Canadian National Railway was able to meet all its interest charges only ten times, four of them due to heavy wartime (1941-45) traffics, although it succeeded in meeting all its operating costs almost the entire period (Table IV). The system's deficits were met from the national treasury, in 1932 the amount being equal to all receipts from the federal income tax. 14/

As already stated, however, the Canadian National was not expected to pay its way; the system was used as an instrument of economic policy—to assist in the maintenance of a pattern of economic development different from that which would have resulted in the absence of subsidized transportation. That such is the purpose of subsidized transportation is evidenced by the following reason given by the Royal Commission on Transportation in 1951 for rejecting a Canadian Pacific demand to set aside an agreement of 1897 providing for fixed rates for the conveyance of grains. Such action, stated the Commission, might mean that "Parliament no longer looks upon western Canada's production of grain for export as an industry requiring special consideration as in the national interest." 15/

TABLE IV

Canadian National Railways -
Railway Revenue, Expenditures,
Income Available for Fixed Charges,
Fixed Charges, Net Income or Deficit,
1923 to 1965

(in thousands of dollars)

<u>Year</u>	<u>Rail Revenues</u>	<u>Rail Expenses</u>	<u>Income Available for Fixed Charges</u>	<u>Fixed Charges</u>		<u>Net Income or Deficit</u>
1923	\$256,962	\$235,838	\$15,248	\$36,788	Dr.	\$21,540
1924	239,597	221,622	16,920	40,509	Dr.	23,589
1925	249,412	216,290	32,343	42,337	Dr.	9,994
1926	270,982	223,561	43,506	41,116	Cr.	2,389
1927	274,879	233,305	38,389	42,590	Dr.	4,201
1928	304,591	249,732	48,289	45,650	Cr.	2,639
1929	290,497	248,632	36,604	50,013	Dr.	13,409
1930	250,369	228,288	19,971	55,557	Dr.	35,586
1931	200,505	199,313	Dr. 1,738	59,132	Dr.	60,870
1932	161,104	155,208	Dr. 1,317	59,690	Dr.	61,007
1933	148,520	142,813	Dr. 1,111	58,907	Dr.	60,018
1934	164,903	151,936	8,716	58,222	Dr.	49,507
1935	173,185	158,926	8,015	56,893	Dr.	48,878
1936	186,610	171,478	8,975	52,172	Dr.	43,197
1937	198,397	180,789	11,242	53,270	Dr.	42,029
1938	182,242	176,175	Dr. 1,019	53,452	Dr.	54,471
1939	203,820	182,966	15,249	53,488	Dr.	38,239
1940	247,527	202,520	37,921	53,305	Dr.	15,385
1941	304,377	237,768	58,601	53,162	Cr.	5,439
1942	375,655	288,999	78,952	51,670	Cr.	27,282
1943	440,616	324,476	87,859	52,190	Cr.	35,670
1944	441,148	362,547	73,474	50,474	Cr.	22,999
1945	433,773	355,294	73,521	49,010	Cr.	24,512
1946	400,586	357,237	37,240	46,685	Dr.	9,446
1947	438,198	397,123	29,331	45,926	Dr.	16,595
1948	491,270	464,740	12,503	46,342	Dr.	33,839
1949	500,723	478,502	6,153	48,632	Dr.	42,479
1950	553,832	493,997	44,085	47,422	Dr.	3,337
1951	624,834	589,150	31,722	48,177	Dr.	16,454
1952	675,219	634,853	25,703	25,415	Cr.	287
1953	696,622	659,049	29,239	29,376	Dr.	138
1954	640,637	626,465	7,575	32,527	Dr.	24,952
1955	683,089	629,013	43,479	33,004	Cr.	10,475
1956	774,801	728,009	57,624	31,783	Cr.	25,841
1957	753,166	755,214	6,914	36,972	Dr.	30,058

TABLE IV

(Continued)

<u>Year</u>	<u>Rail Revenues</u>	<u>Rail Expenses</u>		<u>Income Available for Fixed Charges</u>	<u>Fixed Charges</u>		<u>Net Income or Deficit</u>
1958	\$704,947	\$719,212	Dr.	\$ 4,780	\$46,521	Dr.	\$51,301
1959	740,165	741,852		8,416	52,919	Dr.	44,503
1960	693,141	705,818		1,505	69,470	Dr.	67,965
1961	710,305	722,148		5,540	73,405	Dr.	67,865
1962	738,325	738,883		23,309	74,443	Dr.	51,135
1963	762,350	752,830		36,623	76,253	Dr.	39,630
1964	822,484	811,471		37,886	74,674	Dr.	36,788
1965	870,250	855,688		43,548	73,808	Dr.	30,261

Source: D.B.S. Canadian National Railways (Catalogue No. 52-201).

3. COMPETITION WITHIN THE RAILWAY INDUSTRY

A factor which contributed to the inability of the railway companies to provide a satisfactory return to capital, and so bore down on railway wages and became an issue in labour-management relations, was the costly competition between the companies.

One of the characteristics of economic expansion is the fact that there is little regard for efficiency or economy in the early stages of developing a new invention or discovery. All efforts are usually concentrated in expansion regardless of cost. When it becomes evident that the new product or service, be it oil, uranium or transport, is in greater demand than the existing establishments can satisfy, and the possibilities for an increase in demand in the future are present, a speculative fever attacks financial and commercial circles which at first results in a multiplicity of new firms of varying sizes and thereafter a struggle for survival. The second stage is usually characterized by bankruptcies, absorptions of small firms by larger ones, but little co-operation. In the final phase there emerge through groupings a small number of companies which although still in competition with one another in some areas, usually acquire territorial monopolies. This pattern is fully discernible in the development of Canadian railways.

The wasteful competition within the railway industry during its early development was encouraged by Parliament. The Government was hesitant to interfere with "healthy" even though wasteful competition. Gradually, through the absorption of small lines and some amalgamations a more efficient railway system was developed, even though some of the lines in existence would not have been necessary had the initial building been based

upon a comprehensive plan. Undoubtedly the early development of an extensive railway system, which contributed so much to Canada's economic development, was the consequence of the vigorous competition between the companies, but the continuance of this competition imposed its costs in the form of higher rates and, in comparison with other industries, unduly low wages.

Although unregulated competition did not bring about efficient service and what may have been regarded as fair charges, traders and the public viewed with apprehension the trend towards the development of territorial railway monopolies. There were complaints of discrimination, inadequate facilities and exorbitant charges. Finally, Parliament saw that there were limits to what competition could do to restrain the monopolistic elements in the system. Government policy shifted to the liberalization of amalgamations, but firm controls on rates and possible monopolistic practices.

As already stated, one of the reasons for the extensive assistance given to railways by the Dominion and Provincial Governments was to maintain vigorous and "healthy" competition. It would appear that Canadian administrations used competition as a substitute for regulation rather than a supplement to it. In the 1870's there were widespread complaints against the practices of the Grand Trunk Railway. Apparently the company discriminated between places and persons, and charged exorbitant rates. Its charges were based "on the highest rate which the state of trade would admit...at the time." 16/ It is not clear why the Government did not introduce strict regulation of rates and practices. There are two possibilities: first, the Grand Trunk was controlled from Britain, and since most of the Canadian investment capital originated in the London money market restrictive regulations might have affected the inflow of capital; and second, regulations

might have been difficult to enforce. Because most shippers were small, none of them dared to take the company to court in an attempt to prove that discrimination really did take place. So instead of regulation by statute the Government showed preference for regulation by competition, and assisted the Canadian Pacific to expand eastward through the most densely populated areas to break the Grand Trunk's monopoly. 17/ At the same time the Ontario and Quebec Governments were extending assistance to Provincial railways for the same purpose. Hence there gradually emerged a multiplicity of lines whose primary purpose was not to provide a needed service but to force a reduction in tolls.

Having broken the monopoly of the Grand Trunk in Eastern Canada, the Government turned its attention westward where the Canadian Pacific reigned supreme, and farmers complained of excessive charges and inadequate facilities. The result was the construction of the Grand Trunk Pacific and the Canadian Northern Railways between 1900 and 1916. Thus by 1916 a country with 8,000,000 people was criss-crossed by a large number of rail lines and three transcontinentals comprising a total of 36,985 miles. Concurrent with the expenditure of vast sums of public money and the wasteful use of public land for the building of duplicating lines and facilities, the Government proceeded with work on improving the facilities of the railways' chief competitor by deepening and widening the waterways.

The consolidation of independent lines into the Canadian National system between 1917 and 1923 did not eliminate, but rather intensified the wasteful competition. In an effort to integrate the system the management of the Canadian National embarked upon the construction of new lines and facilities, and the modernization of plant and equipment. The Canadian Pacific was also forced to spend money unnecessarily. 18/

In competition for passenger traffic the two systems provided "luxurious and duplicative services", established identical timetables, and extended their wasteful practices to "house delivery of tickets, the multiplication of city ticket offices, to radio activities, costly advertising, and the establishment of a standard of passenger travel service quite beyond the requirements of the country." 19/ The wasteful competition raged throughout the period 1923-1931 and involved the expenditure of vast sums of money. But even though it was stated that there was not sufficient traffic in the country to support the two railways 20/ their battle was not a struggle for survival. The National system had the public treasury at its disposal, and in spite of outcries that the nation could not afford the costs, 21/ Parliament voted money freely. 22/ The Canadian Pacific also had adequate capital at its disposal. The system was well integrated, its lines criss-crossed the most prosperous agricultural and industrial areas of the country, and with its impressive record of earnings it could borrow from New York and London without difficulty.

The result of the competition between the two giants was a very great increase in their capital liabilities. Within the decade 1921-1931 their mileage increased by just over 3,000, but their capital liability almost doubled—from \$2,164 million to \$4,232 million. 23/ The consequence of this extraordinary capital expenditure was an enormous increase in the bonded indebtedness of both companies, requiring the provision of increasing amounts of earnings for the payment of interest. Thus, high capitalization consequent on wasteful competition impeded the ability of the railways to provide an adequate return to capital, bore down on the wages of railwaymen and became one of the major issues of conflict between labour and management.

4. THE ECONOMICS OF RAIL VS. ROAD COMPETITION

The emergence of road motor transportation has had a most significant impact on the railways and railway employment: not only has it affected the volume of freight and passengers conveyed by them, but also forced them to introduce substantial technological and operational changes to meet the challenge of increasing competition. The effect on the quantity, occupational structure, and occupational skill content of railway employment, and the adverse effect on the industry's ability to pay, changed railway employment from one of the best paid, most secure and expanding, to one lagging in pay and contracting in volume. Inevitably, this reversal in the fortunes of a once proud segment of the labour force bore on its attitude towards the industry and influenced its relations with management.

Since we are attempting to understand all the factors that directly or indirectly bear on labour-management relations, it is appropriate that we should examine the magnitude and nature of impact by the road motor transport.

The road motor vehicle has affected the railways in two ways: it has diverted passenger and goods traffics and forced a change in the railway rate structure. A distinction should be made, however, between traffics carried and traffics diverted. There is no doubt that a considerable proportion of the tonnage conveyed by road has been diverted from rail. But by being a low cost and efficient carrier, the road transport undoubtedly created additional demand for transport services. Furthermore, significant amounts of traffic have been carried by the traders themselves. The fact that the tonnage conveyed by the railways has been less than proportionate

to the increase in production is partly the result of diversion to road and partly the result of a decrease in demand for railway services consequent on the private ownership of means of transport. The growing number of vehicles used by their owners for travel and conveyance of their own goods, affected the railways by reducing the demand for railway services, but did not compete for commercial traffics. It follows that the problem facing the railways in respect to road transport could not be solved by the simple process of reducing rail charges—many factors influence individuals and industries in their decisions to acquire their own means of transport.

The number of passengers lost by the railways cannot be estimated with any degree of accuracy; although there is little doubt that road vehicles carry a large number of passengers who would otherwise travel by rail, there is also little doubt that many would not travel as much, or not travel at all in the absence of the motor car. To some extent the same reasoning applies to freight traffic; a certain amount of traffic conveyed by road transports was diverted from horse drawn vehicles, not from the railways. Furthermore, part of the traffic diverted from the railways has been offset by the new rail traffic created by the automobile industry.

In Table V the impact of the motor vehicle on railway freight traffic is not as evident as that on passenger traffic. This can be attributed, of course, to Canada's economic growth: increased industrialization and economic expansion generally have raised freight traffics, but at the same time increased personal incomes, enabling people of even the lowest income level to acquire a motor car. Furthermore, whereas most passengers travel over relatively short distances, most of the freight tonnage has been of the long haul category.

TABLE V

Passenger and Freight Traffic Conveyed
by the Railways, and Number of Motor Vehicles
Registered in all Provinces, 1916 to 1965

<u>Year</u>	<u>Passengers Carried</u>	<u>Freight Carried</u>	<u>Motor Vehicles Registration</u>
	Number	Tons	Number
1916	43,503,459	89,237,155	128,328
1921	46,793,251	83,730,829	464,805
1926	42,686,166	105,221,926	832,268
1931	26,396,812	74,129,694	1,200,668
1936	20,497,616	75,846,566	1,240,124
1939	20,482,296	84,631,122	1,439,245
1949	34,883,803	142,719,441	2,290,628
1955	27,229,962	167,862,156	3,948,652
1961	18,783,732	153,080,317	5,517,023
1963	20,635,664	171,735,626	6,074,655
1965	24,615,980	196,816,887	6,382,003 (1964)

Source: D.B.S., Canada Year Book; and Railway Transport
(Part I, Comparative Summary Statistics)

The popularity of the road motor can be attributed to its greater flexibility than the railway, and to the fact that its fixed and operating costs are much lower than those of the railways. In competition with the road carrier the railways are handicapped by the locational permanence of their service—they are tied to a permanent way. Even the service of areas adjacent to the rail line would require stopping between stations, the erection of loading and unloading platforms, and the use of additional labour as well as motor transports for transshipments. An increase in demand for transportation services from a certain area would involve the building of a new rail line, while the road transport enterprise could simply provide or divert a number of trucks to the new route. All the additional facilities that a

railway must provide in order to meet the demand for its services from areas beyond the permanent way necessarily involve increasing capital expenditures. On the other hand, if railway services are not required in a certain district most of the capital investment becomes useless because it cannot be transferred to another place; whereas if a motor vehicle is not needed in one area, it can be utilized in another. Furthermore, the advantage of ownership of the means of transport, especially for passenger travel, cannot be counterbalanced by a railway system which operates on a fixed schedule. When comparing the physical structure of the rail and road, therefore, one compares the flexibility of road transport with the inflexibility of the railway.

The railways are further handicapped by heavy capitalization in fixed plant and equipment. Once established, a railway can handle increasing traffic along its permanent way with relatively little extra cost. Below capacity operation, however, results in increasing costs per unit of service. The railways are characterized, therefore, by increasing returns or decreasing costs of operation. For profitable operation the railways require uninterruptedly large volumes of traffic so that their heavy overhead costs can be spread over a larger number of units. A road transport undertaking does not involve large capital outlay. This is especially so in the case of the individual road haulier who can acquire a truck on a small initial payment. Heavy capital outlay in the road transport industry is required only when, in an effort to meet increasing demand for services, a major enterprise is established, involving the building of garages, the purchase of repair equipment and the hiring of personnel. Thus unlike the railways which can handle increasing traffics over their permanent way at little extra cost,

the capital expenditures of the road transport service increases directly with the increase in traffic.

The operating costs of the railways are also greater than those of road transport. While the individual road haulier performs by himself all the functions involved in transport, the railway has to employ a large number of people in addition to those involved in the movement of the train, such as the signalman, driver, fireman, conductor and trainman. Moreover, if a motor vehicle is delayed in reaching its destination, no overtime is involved except for the driver and his helper, because it carries its staff along. When a train is late scores of people remain on duty until it reaches its destination.

Also, in periods of decline in economic activity and prices generally, the railways have been handicapped by their relatively inflexible rate structure. Being inflexible, their rates are relatively higher in periods of decline in economic activity and prices, and relatively lower in periods of expansion and rising prices. As a result, in addition to generally falling traffics in periods of decline in economic activity, they also lose freight to competitive carriers who are able and willing to reduce their charges.

All these factors—greater flexibility, low initial capital outlay, and low operating costs—give a decided advantage to the road motor transport over the railway.

In competition with the road transport the railways have been handicapped also by statutory regulations respecting rates and commercial practices. Before the emergence of road competition the railway rate structure was influenced to a great extent by the value of goods conveyed. Low value

and bulky commodities were carried at relatively low rates, while high class and manufactured goods bore high rates. Such a rate structure is not based on the cost of conveyance. The losses incurred in transporting the low value goods are more than offset by the profits made from the high class commodities. Motor transports, by carrying mainly high-class goods and charging rates closer to their cost of conveyance, have forced the railways to narrow the differentials between their rates for high and low value goods. Because the rates charged by railways for the conveyance of grains and grain products are fixed by statute, and competition from inland water transportation and the Panama Canal has limited their ability to substantially raise their rates for bulky and low value commodities, the railways have not been able to offset the losses incurred from the reduction of their rates for high-class and manufactured goods. Thus railway losses are not only the result of diversion of passenger and freight traffic, but also of "reduction in rates for high-class goods freight in attempts to retain such traffic without compensating increases in low-class freight rates." 24/

Competition between road and rail remains primarily competition for manufactured goods. Bulky traffics such as wheat and other products of agriculture, coal, iron ore and other mineral products, forest products and heavy freight generally, for the most part have been retained by the railways. But their battle for the traffics of manufactured goods has been costlier than would appear from the tonnage data: since railway rates for the conveyance of high-class freight are much higher than those for bulky commodities, the loss of traffic in terms of revenue has been considerably greater. The railways have been complaining that the road haulier by being able to pick and choose is able to take the cream of the traffic; while

they, being common carriers, were forced to carry whatever traffic was offered. The fact appears to be, however, that the road haulier conveys the most valuable freight only because the cost of carrying it is lower than that for the conveyance of bulky traffic. Therefore, he is able to charge less than the railways. He cannot compete for the conveyance of bulky traffics because it costs him more than the rates charged by the railways.

Since the number of traders carrying their own goods has been increasing steadily, and the number and nature of alternative means of transport has been expanding, it is difficult to justify the continuance for so long of some of the statutory restrictions on the charges and operations of the railways. It has been well known now for some time that the extent to which the railways could engage in unfair business practices such as undue preference, discrimination amongst shippers, and upward adjustment of rates for the conveyance of competitive traffics, was limited not only by their competitors' ability to offer better terms, but also by the readiness of traders to undertake individually or collectively their own transportation. In the face of the increasing development of new means of efficient transportation, the retention of the system of rate controls and restrictions on operations established during a period when the railways had almost complete control of the means of transport, could not but affect adversely their ability to pay, and influence the state of labour-management relations.

From the standpoint of efficient allocation of transport resources, restrictions on railway rates and operations should be limited to those designed to ensure competition, and the maintenance of such services as are deemed necessary as in the public interest. Also, the trend towards the

establishment of an integrated multi-carrier system should be encouraged. Co-operation between rail and road can be beneficial to the public at large, especially when it takes the form of co-ordination of services provided by each one of them. The restrictive road transport measures which railways demanded from the Government in the past, designed to curb what they called subsidized competition, were intended to destroy the natural advantages of their competitors. Greater foresight would have led them to seek co-operative measures designed to provide more efficient low cost transport services.

The foregoing discussion was limited to the impact of the road motor transport on railways because traditionally it has been viewed as their chief competitor. In recent years there have emerged two additional challengers, who have been taking away increasing proportions of passenger and freight traffics. The airlines have now surpassed the railways in the proportion of intercity passenger-miles performed by them; and oil pipelines have increased their share of intercity ton-miles from zero in 1949 to 14.3 per cent of the total in 1960.

Table VI presents estimates of passenger-miles performed by the railways and other means of land and air transport.

Evidently, the railways have not been successful competitors in the passenger market. Although since 1960 they have increased their proportion of total passenger miles performed by all carriers, the 4.2 per cent of the total performed by them is still lower than that of any other carrier. It is significant that despite the considerable effort of the Canadian National to promote rail travel, the reversal of the downward trend which began in 1960 has not been sustained.

TABLE VI

Intercity Passenger-Miles Performed
In Canada By Type Of Carrier, 1949 to 1965

<u>Year</u>	<u>Passenger Automobiles</u>	<u>Intercity Bus</u>	<u>Total Motor Vehicles</u>	<u>Air (1)</u>	<u>Rail (2)</u>	<u>Grand Total</u>
<u>Millions of Passenger Miles</u>						
1949 ...	15,695	3,327	19,022	385	3,193	22,600
1950 ...	17,364	3,386	20,750	445	2,816	24,011
1951 ...	20,521	3,459	23,980	555	3,110	27,645
1952 ...	23,699	3,258	26,957	679	3,151	30,787
1953 ...	26,180	3,217	29,397	787	2,986	33,170
1954 ...	27,842	2,857	30,699	862	2,863	34,424
1955 ...	30,227	2,801	33,028	995	2,892	36,915
1956 ...	33,250	2,725	35,975	1,240	2,908	40,123
1957 ...	34,347	2,593	36,940	1,405	2,925	41,270
1958 ...	36,522	2,446	38,968	1,585	2,486	43,039
1959 ...	39,095	2,532	41,627	1,886	2,446	45,959
1960 ...	41,351	2,593	43,944	2,143	2,264	48,351
1961 ...	42,990	2,654	45,644	2,519	1,961	50,124
1962 ...	44,845	2,713	47,558	2,708	2,019	52,285
1963 ...	47,180	2,862	50,042	2,826	2,070	54,938
1964 ...	49,679	2,886	52,565	3,109	2,681	58,355
1965 ...	53,438	3,147	56,585	3,555	2,664	62,804
<u>Percentage Distribution</u>						
1949 ...	69.5	14.7	84.2	1.7	14.1	100.0
1950 ...	72.3	14.1	86.4	1.9	11.7	100.0
1951 ...	74.2	12.5	86.7	2.0	11.3	100.0
1952 ...	77.0	10.6	87.6	2.2	10.2	100.0
1953 ...	78.9	9.7	88.6	2.4	9.0	100.0
1954 ...	80.9	8.3	89.2	2.5	8.3	100.0
1955 ...	81.9	7.6	89.5	2.7	7.8	100.0
1956 ...	82.9	6.8	89.7	3.1	7.2	100.0
1957 ...	83.2	6.3	89.5	3.4	7.1	100.0
1958 ...	84.8	5.7	90.5	3.7	5.8	100.0
1959 ...	85.1	5.5	90.6	4.1	5.3	100.0
1960 ...	85.5	5.4	90.9	4.4	4.7	100.0
1961 ...	85.8	5.3	91.1	5.0	3.9	100.0
1962 ...	85.8	5.2	91.0	5.2	3.8	100.0
1963 ...	85.9	5.2	91.1	5.1	3.8	100.0
1964 ...	85.1	5.0	90.1	5.3	4.6	100.0
1965 ...	85.1	5.0	90.1	5.7	4.2	100.0

- (1) Includes passenger-miles performed by foreign carriers licenced to operate in Canada.
(2) Includes railway commuter services, which accounts for approximately 5% of total rail passenger-miles.

Source: D.B.S., Weekly Bulletin, September 23, 1966, p. 15.

The maintenance of passenger services is deemed to be in the national interest—both from the standpoint of a social obligation to provide transport facilities to the people, and from the standpoint of having the facilities in case of a national emergency. The problem is to decide how much of the existing facilities are necessary for the fulfilment of those two social obligations; how much are necessary for the conduct of operations in a regular business manner; and then deduce to what extent the maintenance of passenger facilities should be subsidized.

Estimates of intercity ton-miles performed in Canada by each mode of transport in the years 1938-1965 are presented in Table VII.

Evidently, in the period 1938-1965 the ton-miles performed by the railways more than tripled. In relation to the total ton-miles performed by all modes of transport the proportion performed by the railways fell significantly, but this can largely be attributed to the inclusion in the total of oil and gas pipelines, which accounted for 22 per cent of the total in 1965, rather than to any expansion of competitive forms of transport. Water carriers more than doubled the ton-miles performed by them, and although road motor carriers increased theirs thirteen times, these represented only 9.3 per cent of the total. However, as stated elsewhere in this study, the traffic conveyed by road motor transports is constituted mainly of high value freight which bears the higher charges. Hence, the diversion of such traffic away from the railways affects their revenues proportionately more than the proportion of diverted traffic would indicate.

As stated earlier, increases in the proportion of traffic conveyed by competitive means of transport should not be regarded as diversion from the

TABLE VII

Intercity Ton-Miles Performed
In Canada By Type Of Carrier, 1938 to 1965.

<u>Year</u>	<u>Rail</u>	<u>Road</u>	<u>Water</u>	<u>Air</u>	<u>Oil Pipe Line</u>	<u>Gas Pipe Line</u>	<u>Total</u>
<u>Millions of Ton-Miles</u>							
1938	26,835	1,515	24,267	1	-	-	52,618
1939	31,465	1,670	23,020	1	-	-	56,156
1940	37,898	1,847	22,508	1	-	-	62,254
1941	49,982	2,237	23,094	2	-	-	75,315
1942	56,154	2,424	20,565	2	-	-	79,145
1943	63,915	2,458	21,152	3	-	-	87,528
1944	65,928	2,668	20,308	3	-	-	88,907
1945	63,349	2,995	21,994	3	-	-	88,341
1946	55,310	3,501	18,366	3	-	-	77,180
1947	60,143	4,310	21,188	4	-	-	85,645
1948	59,080	5,193	23,204	5	-	-	87,482
1949	56,338	5,920	24,010	6	-	-	86,274
1950	55,538	7,597	27,017	8	610	-	90,770
1951	64,300	8,238	28,885	9	3,472	-	104,904
1952	68,430	8,903	30,865	17	4,689	-	112,904
1953	65,267	9,778	32,845	21	6,817	-	114,728
1954	57,547	10,012	29,618	20	9,058	-	106,255
1955	66,176	10,248	34,348	31	12,302	-	123,105
1956	78,820	10,614	39,406	39	16,193	-	145,072
1957	71,047	10,679	36,657	38	16,507	180	135,108
1958	66,357	14,080	34,260	35	14,324	1,632	130,688
1959	67,957	14,397	39,659	38	16,681	3,579	142,311
1960	65,445	13,841	36,869	43	17,226	6,414	139,838
1961	65,828	16,099	39,169	45	21,483	9,308	151,932
1962	67,937	16,585	42,720	49	24,295	11,710	163,296
1963	75,796	16,704	46,559	54	26,648	13,232	178,993
1964	85,033	18,181	54,164	64	28,027	15,307	200,776
1965	87,190	19,411	55,063	75	29,881	16,955	208,575

Percentage Distribution

1938	51.0	2.9	46.1	*	-	-	100.0
1939	56.0	3.0	41.0	*	-	-	100.0
1940	60.9	3.0	36.1	*	-	-	100.0
1941	66.3	3.0	30.7	*	-	-	100.0
1942	70.9	3.1	26.0	*	-	-	100.0
1943	73.0	2.8	24.2	*	-	-	100.0
1944	74.2	3.0	22.8	*	-	-	100.0
1945	71.7	3.3	25.0	*	-	-	100.0
1946	71.7	4.5	23.8	*	-	-	100.0
1947	70.2	5.0	24.8	*	-	-	100.0
1948	67.5	6.0	26.5	*	-	-	100.0
1949	65.3	6.9	27.8	*	-	-	100.0
1950	61.2	8.4	29.7	*	0.7	-	100.0
1951	61.3	7.9	27.5	*	3.3	-	100.0
1952	60.6	7.9	27.3	*	4.2	-	100.0
1953	56.9	8.5	28.6	*	6.0	-	100.0
1954	54.2	9.4	27.9	*	8.5	-	100.0
1955	53.8	8.3	27.9	*	10.0	-	100.0
1956	54.3	7.3	27.2	*	11.2	-	100.0

TABLE VII

(Continued)

<u>Year</u>	<u>Rail</u>	<u>Road</u>	<u>Water</u>	<u>Air</u>	<u>Oil Pipe Line</u>	<u>Gas Pipe Line</u>	<u>Total</u>
1957	52.6	7.9	27.1	*	12.2	0.2	100.0
1958	50.8	10.8	26.2	*	11.0	1.2	100.0
1959	47.8	10.1	27.9	*	11.7	2.5	100.0
1960	46.8	9.9	26.4	*	12.3	4.6	100.0
1961	43.3	10.6	25.8	*	14.2	6.1	100.0
1962	41.6	10.1	26.2	*	14.9	7.2	100.0
1963	42.4	9.3	26.0	*	14.9	7.4	100.0
1964	42.4	9.0	27.0	*	14.0	7.6	100.0
1965	41.8	9.3	26.5	*	14.3	8.1	100.0

*Less than one-tenth of 1%.

Source: D.B.S., Weekly Bulletin, February 17, 1967, pp. 7-8.

railways. Much of it is peculiar to each carrier, and hence can be regarded as being created by the carrier itself. Reference was made, for example, to the fact that a substantial proportion of those travelling by passenger automobile would not have travelled in its absence or in any case would not have travelled as much. Similarly, the air lines have created demand for their own services, which many air passengers do not regard as a substitute for railway services. The traffic most closely associated with the carrier itself is that conveyed by pipelines: a very small proportion of it can be regarded as a diversion from the railways. The substantial decline in ton-miles conveyed by the railways between 1956 and 1960 can be attributed to the general decline in economic activity in that period.

5. THE REGULATION OF RAILWAY CHARGES

The most important issue bearing on the determination of wages and other terms of employment, and one which shaped the nature of collective bargaining on the railways, has been the regulation of railway charges and operations. The inability of the companies to manipulate the prices for their services in an effort to recover in full or in part their increased expenditures, has always been held as the primary factor bearing on the unwillingness of the railways to enter into voluntary employment agreements which would raise their labour costs.

The railways have operated under a mass of rather rigid regulations, mostly designed to prevent monopolistic exploitation of the public when they were absolute rulers of inland transport. These regulations hampered the industry in its competitive struggle with the road motor transport. While railway charges were based upon a structure of rates fixed by law, the road

transport industry remained competitive within itself with the result that a variety of charges were quoted by the hauliers themselves.

Before 1904 there was virtually no regulation of railway rates in Canada. The directors of each company were free to manipulate their charges subject only to the approval of the Governor in Council. 25/ Because most of the railway mileage before 1886 was along the St. Lawrence waterway, the Government relied on water transport competition to act as the principal regulator of railway rate practices. 26/ Complaints of exorbitant charges and inadequate facilities in non-competitive areas, and during the long winter when water traffic came to a standstill, led to the appointment in 1886 of a Royal Commission which recommended the creation of an independent tribunal to deal with rates, and "generally to regulate the system of railway management in its relation to the commerce of the country." 27/ But because in its view responsibility in the parliamentary form of Government lies with the Minister, the Commission advised that the regulatory body be constituted within Parliament. Hence the supervision of railway rates was vested in the Railway Committee of the Privy Council, a committee of the Cabinet. 28/ Consisting of parliamentarians, the Committee lacked continuity, its members had no specialized knowledge of railway matters and it remained regulatory in name only. Widespread criticism of railway rate practices continued, and at the turn of the century a special investigation endorsed the complaints and recommended the establishment of a permanent body. 29/ The outcome was the Railway Act of 1903 and the substitution of the Railway Committee of the Privy Council with the Board of Railway Commissioners. 30/

The Board's most important function was the regulation of rates. It had the power "to fix, determine and enforce just and reasonable rates, and

to change and alter rates as changing conditions or costs of transportation may from time to time require." 31/ This power did not extend to rates for the conveyance of grains and grain products, which were fixed by statute under the Crow's Nest Pass Agreement, 32/ and was subject to statutory provisions under the Maritime Freight Rates Act. 33/ The Board also had the power to disallow any rate which it regarded unjust, unreasonable and contrary to the provisions of the Act, and to order the railway to introduce a rate satisfactory to the Board. 34/ Thus, the railways were deprived of the right to increase their charges in order to recover in full or in part their rising expenditures.

Before World War II the Board made no attempt to apply any definite formula in determining what constituted "just and reasonable" rates. The existence of a number of railways with different cost structures may be regarded as one of the factors which perhaps made the adoption of any standard method rather difficult. In 1917, for instance, the Board authorized an increase in charges by 15 per cent to offset the wartime rise in prices and wages, giving a most needed relief to the Grand Trunk railway and the Canadian Northern, but at the same time augmenting the substantial surplus of the Canadian Pacific. Public pressure forced the Government to impose a special tax on the latter's profits to deprive it of any benefit. 35/ This was a convenient, although discriminatory solution to a problem which called for a definite Government policy on railway charges.

In 1918 and 1920 substantial increases in wages aggravated the already precarious financial positions of all railways excepting the Canadian Pacific. In the former year the Board authorized rate increases of 25 per cent designed entirely "for the purpose of meeting advanced costs of transportation...(and not) for the purpose of increasing company profits." 36/

Nevertheless, a precedent was established by which railway charges could be raised to enable the railways to maintain the wages of their employees at a certain level in comparison with wages in other industries. In effect, labour costs became a factor in the determination of railway rates. This was not regarded with favour by the trading community, fearing that small changes in wages would be a pretext for bigger increases in charges.

In 1920 the Board found that the Grand Trunk and the Canadian Northern were unable to cover all their operating costs even before the new wage increases, while the Canadian Pacific was in position to absorb the higher wage bill without increases in charges, and still show a surplus of about \$15 million which was "more than the company was entitled to." 37/ The problem was which railway should be used as a base in determining the level of rates. Since the operations of the Canadian Northern were subsidized and the Grand Trunk was about to be nationalized, traders and Provinces opposing rate increases urged the Government that the Canadian Pacific be used as a rate base. Thereupon the Government instructed the Board to endeavour and determine "what constitutes a fair and reasonable rate, without taking into account the requirements of the Canadian National Railway system." 38/ Thereafter the Canadian Pacific was used as the "yardstick" railway in the determination of what level of rates was "just and reasonable".

Between 1920 and 1946 no rate increases were authorized. The formula applied by the Board after 1948, known as the "requirements" method, was designed to provide the Canadian Pacific a "Net Rail Income" which in 1948 was made up as follows: 39/

Fixed Charges.....	\$18,000,000
Dividends (5% on paid up common stock, and 4% on preferred).....	21,310,000
Surplus.....	15,235,000
Total	<hr/> 54,545,000

A successful appeal by some provinces in 1950 resulted in the apportionment of the fixed charges between rail and non-rail enterprises and the reduction of the total amount to \$47,576,579. As the financial structure of the company changes, the amount for each item is naturally revised although the percentage return to ordinary and preference stock has remained the same. 40/ In 1957 an "additional allowance" item of \$2 million was included in the "requirements" formula. But, the level of earnings which the Board from time to time considered just and reasonable was never attained. The main cause of this was the fall in traffics which bear the high rates.

Although the Canadian Pacific remained the "yardstick" railway, after World War II the needs of the Canadian National system were also given due consideration by the Board. Because the operations of the national system were subsidized, however, the Board emphasized that its wages "have not been used as a measure in determining expenses and requirements of Canadian Pacific." 41/ Regardless of the degree of increase in the Canadian National's costs consequent on wage advances, the additional costs of the Canadian Pacific were given primary consideration when increases in rates were determined. In addition, the Board took into consideration estimates of costs which might be incurred in the future. Amongst the factors taken into account were the volume of traffic; what the state of the economy might be; economies that were likely to result from dieselization and other technological improvements; and the estimated increase in labour costs.

Traders and certain Provinces insisted that labour costs should not be considered because "a dangerous precedent will be established and the Board will become involved in the determination of the wages of railway employees..." 42/ In response the Board made a policy pronouncement to the effect that it had "the power to deal appropriately with an abuse by any party of the right to apply to the Board for relief, and it warns the parties concerned that...it cannot be anticipated that the Board will accede in future to applications for rate increases due wholly or partly to proposed wage increases until agreement has been reached between the employees and the railways by completion of the usual processes of labour negotiations." 43/ With the exception of 1958, the Board enforced this rule in spite of considerable pressure from the railways to authorize rate increases before wage contracts were signed.

Between 1947 and 1958 six rate increases were authorized, cumulatively representing an increase of 120 per cent over the general level in effect in 1947. But, the increases were applied fully on the "normal" rates only, which represented 42 per cent of the total railway traffic. Hence in terms of earnings the 120 per cent increase in rates raised the per mile revenue by 55.4 per cent for the Canadian National and 57.9 per cent for the Canadian Pacific. 44/ It is not certain to what extent charges were kept down because of the statutory obligation to provide a low cost service; it is possible that if the railways had been economically free to raise their fares and rates, the level of their charges would not have been so much below that of prices. However, the general level of railway charges has declined in importance since the appearance of the road transport. Although the practice had been to permit general increases in rates, the railways

varied individual rates independently of the general level. It is suggested that general increases in charges would have failed to raise much revenue because traffic would have been diverted to other means of transport. Union leaders were perhaps too hasty in their accusations that charges were kept down intentionally, and that railwaymen by being forced to accept low wages were in fact subsidizing industry generally.

In 1957 approximately 30 per cent of the Canadian Pacific's traffic consisted of grain and grain products, which are conveyed at statutory rates fixed in 1897, yielding (in 1957) only 9 per cent of the company's freight revenue; some 17 per cent of its traffic was carried at competitive rates, and 8 per cent at agreed charges. Because the whole burden of increasing rates had fallen on the traffics bearing the "normal" rates, more and more of these traffics were driven away. For this reason one of the Transport Board's Commissioners declared in 1958 that it was high time for the Board "to bring to the attention of all concerned and in particular the Government of Canada the serious situation confronting the Board with respect to its duty to maintain 'just and reasonable' freight rates." 45/ In determining such rates the Board had to consider the interests of both the railways and the public. The railways were being squeezed between rising labour and other costs on the one hand and transport competition on the other which limited their ability to obtain the full benefit of higher freight rates. The public bore the full burden of freight rate increases, because what would have fallen on grain and grain products in the absence of the statutory rates had been shifted to other traffics.

The involvement of the political process in the determination of railway charges and its bearing on the collective bargaining process is demonstrated clearly by events in the period 1958-1961.

On July 29, 1958, a Conciliation Board under the Chairmanship of Mr. Justice Thompson recommended certain increases in wages over a period of two years retroactive to January 1, 1958. Although agreeing that the recommended wage increases were reasonable, 46/ the railways informed the Minister of Labour that they could neither accept nor reject the report until the sources of the necessary revenue were determined. Clearly, the dispute that followed—the taking of a strike vote, the setting of a strike date, and the general crisis atmosphere that prevailed to November 27 when an agreement was reached—was not a dispute between management and the unions, but rather a conflict between the railways and the government. The absence of government policy and indecision in high places were largely responsible for the state of confusion that prevailed.

On November 17, 1958, the Board of Transport Commissioners granted the railways authority to raise freight rates by 17 per cent effective December 1, 1958. But protests from eight Provinces, alleging that general increases in freight rates were discriminatory and caused inequities in the freight rate structure, resulted in a Government announcement in March 1959 that no further general increases would be permitted until a Royal Commission 47/ investigated and reported on the problem, and in the enactment of the Freight Rates Reduction Act effective August 1, 1959, which provided for a roll back of the 17 per cent increase to 10 per cent and the payment of \$20 million per annum to compensate the railways for loss in revenue. Thus the dependence of the railways on the government for revenue was increased, raising the prospect for further direct government involvement in labour-management relations. On May 2, 1960, the Board of Transport Commissioners ordered a further rollback of the authorized increase in rates to 8 per cent.

The Provinces also questioned "the propriety of the action of the Board of Transport Commissioners in basing an increase in freight rates on an anticipated wage increase which had not been unconditionally agreed upon by the railways and their employees." In agreeing with this criticism of the Board, the Government declared: "We consider that in future the railways and their employees must come to a definite agreement before a wage increase should be accepted by the Board of Transport Commissioners as the basis for an increase in freight rates; otherwise the Board as it foresaw itself, is apt to be forced into making judgments about wage settlements which are not its proper responsibility." 48/ This statement implied recognition of wage settlements as a basis for the determination of increases in freight rates. But subsequent developments do not support such an interpretation: the 17 per cent increase in rates was authorized on November 17, 1958; the government statement was issued on November 26; and a labour-management agreement was concluded on November 27. However, as indicated above, in March 1959 the government declared that no further general increases in rates will be permitted, and ordered a roll back of the 17 per cent authorized increase to 10 per cent. Under such circumstances it is hardly possible for labour and management to enter into serious and conclusive negotiations.

In August 1960 a Conciliation Board under the Chairmanship of Mr. Justice J.V. Milvain recommended wage increases totalling about 14 cents per hour to be granted over a period of two years retroactive to January 1, 1960. The railways took the stand that under the existing government policy regarding increases in freight rates they could not accept the report. The resulting conflict between labour and management which culminated in the setting of December 3, 1960, for strike action, and the enactment

of the Railway Operations Continuation Act on December 2, 1960, prohibiting the strike, like so many of the other "labour-management disputes" on the railways was really a dispute between the railways and the Government. For the railways, the issue was not whether the recommended increase in wages was justified, but rather whether they should operate under a Government policy which made it extremely difficult for them to offset the resulting increase in labour costs. In rejecting the report, even though they may have agreed with its recommendations, railway management were in effect inviting the unions to do what they themselves would have liked to do, namely stop operations.

In early May 1961 an agreement was concluded on the basis of the Conciliation Board's recommendations, but only after the Government accepted a recommendation of the Royal Commission on Transportation to pay the railways \$50 million per annum for services rendered in the national interest. Thus, another labour-management conflict was settled without settling the main source of the conflict—the unduly restrictive rules and regulations relating to railway charges and operations.

The problem arose again in 1964, when a Conciliation Board recommendation for an increase in wages was rejected by the railways. In a letter to the Prime Minister dated June 22, 1964, the Presidents of the Canadian National and Canadian Pacific railways declared: "the Railways find themselves deprived of authority to raise added revenues to meet increased costs and circumscribed in their ability to effect economies through the discontinuance of unrenumerative operations. Under these conditions, they cannot undertake the responsibility of assuming added costs of the magnitude implicit in the majority report of the Munroe Conciliation Board.

Even though rejection of the report may inevitably lead to a railway strike, existing circumstances leave us no alternative. Before taking this action, however, we felt the matter should be placed before you."

Thus again the rejection of the Conciliation Board's report by the railways was not the result of disagreement with its recommendations, but rather consequent on the Government's failure to liberalize the restrictive measures under which the railways operated. Hence the dispute was not really between the railways and the unions, but rather between the railways and the Government.

Whether this problem will be resolved with the introduction of the new regulations under the Railway Act of 1967 remains to be seen. As long as the general trend of wages is upward the railways cannot expect the pressure from their employees for higher wages to cease. But their charges have been distorted to such an extent as to make it virtually impossible to absorb the higher costs and still maintain a reasonable return to capital.

Control of railway charges has also been a definite factor contributing to the characteristic "stickiness" of railway wages on the upturn of economic activity and during increases in price levels. Since increases in railway charges are immediately and widely reflected in the prices of goods and services, whenever Governments were anxious to control inflation they wanted to keep railway charges down. But inflation was accompanied with increases in wages generally and the railways could not lag behind indefinitely. So either their charges had to be allowed to rise, or their operations had to be subsidized.

Even when substantial increases in charges were permitted, however, their application in full was not possible because of competition from other means of transport. Road and water transport competition not only diverted traffics from the railways, but has also acted as a regulator of railway charges.

The question arises whether regulation of rates by competition would provide the needed protection to users of railway services now that regulations by Government and Government agencies have been reduced. A positive or negative answer would entail much discussion; suffice it to say that the vast networks of motorways constructed in recent years, improvements in water navigation, increase in air travel, and the continually expanding number of cars and trucks made Government regulations of railway charges and practices appear in many areas rather out of date. The protection which such regulations were designed to provide to users of railway services had in many instances become protection to competitive means of transport.

Although every time railway costs had risen through wage advances increases in rates were authorized, the railways were never certain that an application for higher rates would be sustained. Adding to the suspense was the process of obtaining rate increases, involving application to the Board, extensive arguments and counter-arguments, appeals to the Government against decisions of the Board, and often reference back to the Board for reconsideration and a repetition of the initial process with additional presentations; as a result, often more than a year expired before an increase in rates was applied.

This lag between rising costs and adjustments in charges caused imbalances in operating revenues and operating costs. Furthermore, economic

conditions change. When an application for increase in rates is based on the conditions existing at the time, if it is delayed for very long the decision, when it comes, may not be in accord with the new situation. For example, an application in 1946 for a 30 per cent increase was designed to offset a 10 cents per hour increase in wages; by April 1948, when authorization was granted for a 21 per cent increase in rates, the cost of living had risen so much that the unions demanded and obtained another wage increase.

In addition, the railways were continuously aware of the fact that for a variety of economic and political reasons the Government could refuse to give its assent to an increase authorized by the Board of Transport Commissioners. All this inevitably caused delays and frustrations in the process of negotiating wage increases. To be on the safe side management had consistently resisted union pressures to conclude wage agreements without reference to a Board of Conciliation, the feeling undoubtedly being that wage increases conceded as a result of Conciliation proceedings or Government pressure would lend force to their applications for higher charges. 49/

6. ON THE CO-ORDINATION OF CHANGES IN WAGES AND CHARGES

The regulation of wages and working conditions is closely connected with that of railway rates. The final determination of both requires impartiality, for both affect the public either through increased fares or in higher commodity prices the result of increased costs of conveyance. In view of this interdependence of wages and railway rates it is significant that there is no evidence of formal or informal consultations between Boards of Conciliation and the Board of Transport Commissioners. On occasion, this

became a serious impediment to the process of collective bargaining. Considering that labour costs have represented more than 50 per cent of gross railway receipts, the question arose to what extent either body was influenced by the anticipated deliberations of the other. Since no connection existed between them it is possible for the one to have waited for the other to act before reaching its own decision. Acting independently as they were, Conciliation Boards could have contemplated recommendations for the raising of certain wage rates while the Board of Transport Commissioners decided to lower the freight rates.

Co-ordination of the two bodies also appeared desirable from another standpoint: neither wage rates nor freight rates are subject to frequent changes. In the absence of co-ordination Boards of Conciliation could only act on the assumption that the Board of Transport Commissioners would permit compensatory increases in freight rates. But there had never been a channel by which Conciliation Boards could be informed what was conceivable regarding increases in freight rates.

It is necessary to state emphatically that as long as the determination of wages and railway charges remain under Government control or influence some sort of co-ordination should exist between the wage determining and rate determining bodies. The cost of working the railways cannot be divorced from the rates charged for railway services. Therefore, it is not right that these two vital and interdependent matters should be investigated and pronounced upon by two Government appointed bodies which have no connection with one another.

7. THE CASE FOR SUBSIDIZATION

The railways have been primarily responsible for the expansion of markets, the opening of advantageous areas for the location of industry, and for the settlement of areas which were otherwise inaccessible. In times of war they have proven invaluable means of transport when roads could not bear the burden of substantial increases in traffic. Finally, historians and political scientists have given some credit to them for the political and economic unity of early Canada—they are the iron veins that supplied blood to the body of Canada from coast to coast. In the process of fulfilling these responsibilities, the railways did not always charge the full cost of their services, either because the existing market could not bear the cost, or because the government deemed such an action contrary to the public interest. The question arises, therefore, whether all these ties between the railways and the nation warrant the subsidization of railway operations.

Some industries whose continuous operation in periods of peace is regarded as necessary in order to be available in times of war are subsidized and protected by tariffs and quotas. Although one may deny the economic justification for the subsidization of transportation, one must make an exception when the purpose is the spreading of population, and widening the economic development of the nation. It has frequently been the case that in the process of achieving their purpose, countries have subsidized their transportation services. Also, developing countries have used the subsidization of transport services as an indirect way of subsidizing their domestic or export industries, by enabling the railways to charge less than the full cost of their services.

Supposing, however, that subsidization is not justified on economic grounds, we still cannot expect the wage-earners to be content with wages and working conditions inferior to those commanded by workers in other industries. The economic argument that wage-earners do not have to work in that particular industry cannot be applied to an industry whose uninterrupted and efficient services are deemed to be in the public interest. When an industry which is regarded as a vital part of the national economy, becomes relatively inefficient because it is not able to attract adequate and competent labour, wages and working conditions must be improved to competitive standards even though the industry may not be able to pay. In the long run the increase in efficiency may more than offset the increase in wages, resulting in lower labour costs per unit of service under the higher than under the lower wage rates. In the short run, some of the burden of improvements must be borne by the taxpayer.

Efficiency and subsidization are related in another way: it is alleged that subsidization induces inefficiency. The problem is, therefore, to establish control conditions which would ensure that the subsidy is payment for services rendered in the national interest at charges lower than the full cost, rather than the difference in cost between an efficiently and an inefficiently provided service. For example, it is usually maintained that the considerably smaller rise in railway freight rates than the prices of materials used by the railways, has been entirely the result of a deliberate attempt by the government to subsidize the rest of industry. This is based on the assumption that the railways were operating at optimum efficiency, but still the full cost price of their services was higher than what the government regarded fair and reasonable. However, there is no certainty on

the extent to which charges were kept down because of the statutory obligation to provide a low cost service, or because of competition from other forms of transport. If the cause is the former, subsidization is justified; but if it is the latter, then subsidization is reward for lower efficiency than can be attained by alternative means of conveyance.

8. EMPLOYMENT IN THE RAILWAY INDUSTRY

A. Nature of Railway Employment

In terms of the nature of their employment railway workers can be divided into two groups: there are those whose skills are used in other industries as well, such as machinists, boilermakers, sheet metal workers, and most of the workers employed on the permanent way; and there are those who have acquired their skills in in-service work, and whose specialized services are limited to railway work only (engineers, firemen, conductors and trainmen fall within this category). Since the knowledge and training entailed in these occupations are not required in other industries, they have no transfer value.

To an individual whose skill has no transfer value, technological and operational changes which threaten the utilization of his skill in the industry are of greater concern than they are to the individual whose skill is in demand in other industries as well. This has been clearly demonstrated by the different responses of firemen and boilermakers to the introduction of the diesel locomotive: although both occupations were adversely affected, almost nothing was heard of the boilermakers, whereas the conflict with the firemen was long and bitter.

When the utilization of a given skill is limited to one industry, and the industry is undergoing a period of decline, or is undertaking technological and operational changes which cause a general reduction of employment or a change in the occupational structure of the labour force, the basis on which it is employed becomes one of the most significant issues in labour-management relations. Such specialized railway labour is as permanent a form of employment as is railway capital: their full utilization is limited to employment within the industry. Since their utilization by other industries in the same form of employment is not possible, if for whatever reason the demand for railway services is drastically reduced, both labour and capital will become redundant.

In-service specialization in tasks involved in one industry only can be either in favour or against the workers concerned, depending on the prevailing conditions of the industry. When the industry is expanding, the absence of alternative sources of supply of specialized labour tends to strengthen the bargaining position of their union. On the other hand, when employment in the industry is contracting, the absence of demand for their services from other industries tends to weaken their bargaining position. Hence, during the period of expansion in railway employment the industry was one of the most sought-after employers, and the unions established themselves without difficulty. Furthermore, to ensure the availability of adequate labour in periods of prosperity and increasing traffics, the railways were compelled to retain most of their workers in slack periods. This absence of oscillations in employment between periods of prosperity and depression ensured a sustained strength in the union organizations. Thus, the downward pressures on the wages and other terms of employment of specialized railway workers resultant from the absence of demand for their

services from other industries, are partly offset by the inelasticity of demand for their services in the railway industry itself, even though the latter is offset to some extent by the reluctance of workers to leave the railway service.

The disadvantages entailed in being confined to one industry do not seem to have affected adversely the potential supply of workers willing to enter in-service training for the various specialized functions in railway work. The main reason for this is the fact that railway employment has always been classified amongst the most stable in the economy. This is related to the nature of railway services. Because industrial fluctuations are not all synchronized as to time, place and economic activity, the wide industrial contacts and geographic dispersion of the railway system act as stabilizers, so that its traffics in the aggregate fluctuate much less than the output and shipments of particular regions and industries. Secondly, the railways have been reluctant to lay off workers when traffics fall off temporarily. Although the nature of railway work does not allow for much reduction in staff at such times, the more important consideration appears to be that it is a false economy to part with workers who had been well trained in their work, such as engineers, conductors, trainmen and others. The cost of losing some of them, and the cost of having to train others in the upturn in economic activity could well exceed the cost of keeping them in employment, even though their services may not be utilized to the full during the period of contraction in activity.

Frequent conflicts have arisen between labour and management on this issue: many railway activities are such that the worker is required to remain on duty, although his services cannot be utilized. Should the worker

command the same rate of pay when his presence is required but he cannot be occupied all the time? Labour's view is that the worker is on duty; if he is not occupied continually and fully it is management's responsibility rather than the worker's. This issue, as well as the relative stability of railway employment over the business cycle, and the specialized nature of some of the occupations of railwaymen, have always been amongst the factors considered in the determination of wages and other terms of employment in the industry.

B. Changes in Employment 1956-66

From the standpoint of employment security railway workers have good reason to be agitated. Table VIII shows that in the decade 1956-66 employment in the industry fell by 57,515—from 213,528 in 1956 to 156,013 in 1966. 50/ The decline has been general: only eight of 73 occupational classifications have registered increases—professional, technical and staff assistants; foremen, assistant foremen and sub-foremen (stores); signal and electrical transmission foremen; work equipment operators, maintainers, mechanics and helpers; signal and interlocker maintainers, mechanics' helpers and apprentices; transportation labourers; yard foremen and car retarder operators; constables and policemen. The nature of these classifications conforms to the general pattern of occupational changes in the economy, namely, expanding employment of professional, technical, supervisory and maintenance of equipment personnel, and contracting employment in occupations engaged directly at the processes of production.

Employment in operating trades (classifications 53-64) declined from 34,324 in 1956 to 29,054 in 1966 or by 15.4 per cent. Contrasted with

total employment, the rate of decline in employment of operating trades has been lower, reflecting largely the greater rate of decline in employment of non-operating trades. In road maintenance employment fell from 40,312 to 24,031 or by 40.4 per cent, and in maintenance of equipment it fell from 44,691 to 26,806 or by 40 per cent.

The impact of capital and new technology is clearly discernible. Some of the most severely affected major occupations have been: firemen, down from 7,551 in 1956 to 3,244 in 1966 or by 57 per cent, and blacksmiths and boilermakers down from 1,669 to 724 or by 56.6 per cent—both reflecting the impact of the diesel locomotive; sectionmen, crossing watchmen and gatemen down from 18,510 to 10,390; extra gang labourers in road maintenance down from 6,906 to 2,346; section foremen from 5,867 to 3,784—all reflecting the installation of automatic signalling, and the deployment of increasing quantities of road building and repair equipment.

The decrease in railway passenger traffic is reflected in all occupations associated with that service: road passenger engineers down 41 per cent, conductors 42.5 per cent, firemen 60.6 per cent, brakemen and baggage-men 49 per cent, station agents, telegraphers, etc., 36 per cent and baggage and station attendants down from 1,045 to 752.

Thus, railway employment, which traditionally has been regarded as one of the most stable in the economy, has now become one of the most insecure. The continuous reduction in the labour force during the past decade, affecting every occupation, has created a feeling of uncertainty, fear and despair amongst the workers. It is inevitable that this environment will have some adverse effect on labour-management relations. Indeed, a number of labour

leaders expressed fear that there will be repercussions on themselves, unless they demonstrate a more militant approach in their demands for greater employment security. The recently concluded agreements pertaining to employment effects of technological changes may be regarded as the first response to rank and file pressures. But the degree of agitation remains high: many workers are unhappy with section 5 of Article VII of the 1967 Master Agreement, which states that workers who "are affected by a recognizable general decline in business activity, such as a recession or by fluctuations in traffic" are not covered by the provisions pertaining to adverse effects of technological, operational and organizational changes. They fear that this exception will be used by the railways as an opening to continue their reduction of the labour force unimpeded.

TABLE VIII

Occupational Distribution Of Railway Employees 1/
1956-1966 (Annual Averages)

<u>Occupation 2/</u>	<u>1956 No.</u>	<u>1966 No.</u>	<u>Percentage Change 1966/1956</u>
I <u>General Administrative and Office</u>			
1. Managerial and Supervisory	6,485	6,189	-4.6
2. Professional, technical and staff assistants	2,285	4,829	111.3
3. Chief clerks, assistant chief clerks, and office supervisors	1,769	1,643	-7.1
4. Clerks and related occupations	21,569	16,972	-21.3
5. Foremen, assistant foremen, and sub-foremen— stores	<u>207</u>	<u>272</u>	<u>31.4</u>
TOTAL (1-5)	32,315	29,905	-7.5
II <u>Road Maintenance</u>			
6. Bridge and building foremen	633	494	-22.0
7. Extra gang and snow plow foremen	450	385	-14.4
8. Section foremen	5,867	3,784	-35.5
9. Signal and electrical transmission foremen	83	103	24.1
10. Bridge and building tradesmen and bridge operators	4,055	2,893	-28.7
11. Work equipment operators, maintainers and mechanics	1,386	1,399	17.9
12. Work equipment helpers		235	
13. Signal and interlocker maintainers and mechanics	979	863	43.2
14. Signal helpers and apprentices		539	
15. Bridge and building helpers	449	186	-58.6
16. Sectionmen, crossing watchmen, and gatemen	18,510	10,390	-43.9

Table VIII (Cont'd)

	1956	1966	Percentage Change 1966/1956
	<u>No.</u>	<u>No.</u>	
17. Bridge and building, signal and work equipment labourers	994	414	-58.4
18. Extra gang labourers	<u>6,906</u>	<u>2,346</u>	<u>-66.0</u>
TOTAL (6-18)	40,312	24,031	-40.4
III <u>Equipment Maintenance</u>			
19. Blacksmiths and boilermakers	1,669	724	-56.6
20. Carmen-coach, locomotive & freight	11,945	9,093	-23.9
21. Electrical workers, linemen and groundmen	2,060	2,031	-1.4
22. Machinists and moulders	5,306	3,396	-36.0
23. Pipefitters and sheet metal workers	1,608	1,309	-18.6
24. Stationary engineers	883	(118)	-67.2
25. Stationary firemen & oilers		(172)	
26. Apprentices	2,007	1,376	-31.4
27. Helpers to mechanics	9,421	3,472	-63.1
28. Coach cleaners	2,150	1,133	-47.3
29. Classified labourers	4,677	2,293	-51.0
30. Unclassified labourers	<u>2,965</u>	<u>1,689</u>	<u>-43.0</u>
TOTAL (19-30)	44,691	26,806	-40.0
IV <u>Transportation</u>			
31. Train despatchers and traffic supervisors	649	553	-14.8
32. Supervisory agents and assistants	609	367	-39.7
33. Foremen and assistant foremen in freight sheds	658	426	-35.3

Table VIII (Cont'd.)

	1956 <u>No.</u>	1966 <u>No.</u>	Percentage Change <u>1966/1956</u>
34. Checkers (car and freight) <u>3/</u>	-	1,349	
35. Station agents, telegraphers, caretaker agents and levermen	7,158	4,577	-36.1
36. Baggage and station attendants	1,045	752	-28.0
37. Sleeping and parlour car conductors	275	160	-41.8
38. Sleeping and parlour car porters and other train attendants	1,554	967	-37.8
39. Revenue motor vehicle drivers and helpers <u>4/</u>	-	1,690	
40. Freight handlers and freight shed operators	5,989	5,644	-5.8
41. Dining car stewards, chefs and cooks	1,848	(933)	-6.2
42. Dining car waiters and kitchen helpers		(801)	
43. Restaurant managers, chefs and cooks	622	(27)	-91.2
44. Restaurant waiters and kitchen helpers		(26)	
45. Motor vehicle mechanics <u>4/</u>	-	49	
46. Garage servicemen and helpers to mechanics <u>4/</u>	-	38	
47. Transportation labourers	1,202	1,285	6.9
48. News agents	148	109	-26.4
49. Floating equipment employees	<u>1,224</u>	<u>607</u>	<u>-50.4</u>
Sub-Total (31-49)	22,981	20,360	-11.4
50. Yardmasters and assistant yardmasters	818	727	-11.1
51. Switchtenders	391	215	-45.0
52. Hostlers	<u>812</u>	<u>312</u>	<u>-61.6</u>
Sub-Total (50-52)	2,021	1,254	-38.0

Table VIII (Cont'd.)

	1956 <u>No.</u>	1966 <u>No.</u>	Percentage Change <u>1966/1956</u>
53. Road passenger engineers and motormen	1,082	639	-40.9
54. Road freight engineers and motormen	3,671	2,546	-30.6
55. Yard engineers and motormen	2,092	1,992	-4.8
56. Road passenger conductors	836	481	-42.5
57. Road freight conductors	2,686	2,376	-11.5
58. Road passenger firemen and helpers	1,088	429	-60.6
59. Road freight firemen and helpers	4,185	1,992	-52.4
60. Yard firemen and helpers	2,278	823	-63.9
61. Road passenger brakemen and baggagemen	2,007	1,024	-49.0
62. Road freight brakemen	6,769	5,104	-24.6
63. Yard foremen and car retarder operators	2,186	2,221	1.6
64. Yard helpers	<u>5,444</u>	<u>4,427</u>	<u>-18.7</u>
Sub-Total (53-64)	<u>34,324</u>	<u>29,054</u>	<u>-15.4</u>
TOTAL (31-64)	59,326	50,668	-14.6

V Miscellaneous

65. Constables and policemen	995	1,044	4.9
66. Storemen (non-clerical)		1,214	
67. Stores labourers	2,319	554	-24.2
68. General office service attendants	1,305	243	-81.4
69. Miscellaneous tradesmen and service vehicle operators	<u>396</u>	<u>240</u>	<u>-39.4</u>
TOTAL (65-69)	5,015	3,295	-34.3
TOTAL (1-69)	181,659	134,705	-9.8

Table VIII (Cont'd.)

	1956	1966	Percentage Change 1966/1956
	<u>No.</u>	<u>No.</u>	<u>1966/1956</u>
VI <u>Other Operations</u>			
70. Express	11,628	6,265	-46.1
71. Highway Transport (rail)	907	291	-67.9
72. Telecommunications	10,407	8,635	-17.0
73. Outside operations	<u>8,927</u>	<u>6,117</u>	<u>-31.5</u>
TOTAL (70-73)	31,239	21,308	31.7
GRAND TOTAL (1-73)	213,528	156,013	27.0

Footnotes

1/ Class I and II railways—the Canadian National Railways and the Canadian Pacific Railway Company (Class I), and 19 roads having average gross revenues of \$500,000 or more annually (Class II). Roads with gross revenue of less than \$500,000 annually, and terminal, bridge, tunnel and pullman companies, classified as Class III and IV carriers, are not included. In 1965 Class III and IV carriers employed a total of 581 workers, compared with 1,197 in 1956. All Railways employed 215,324 in 1956, compared with 154,832 in 1965.

2/ Definition of major categories of functions

General Administrative and Office encompass functions relating to Research and Development, Personnel and Labour Relations, Accounting and Finance, Purchases and Stores, Sales, Traffic, Investigation, etc.

Road Maintenance involves occupations concerned with the construction and maintenance of track, structures, and signal installations.

Equipment Maintenance involves occupations concerned with the maintenance and service of all motive power, car, shop, and power plant equipment.

Transportation involves all occupations concerned with the movement of trains: the scheduling, dispatching, and operating trains and ancillary services; the operation of terminal facilities and distribution of cars and motive power; and the movement of merchandise by means of the integration of express and less than carload operations.

Table VIII (Cont'd)

Express - involves those who are concerned entirely with the express operations (Non-integrated express operations).

Highway Transport (Rail) involves those engaged in cartage and highway services ancillary to railway operations, but not integrated to the rail operations.

Outside Operations - those involved in non-rail operations, such as hotel.

3/ Their number in 1956 is not given. In the 1956 classification they were grouped in with "telephone switch operators, office boys and sorters".

4/ These classifications include employees engaged in integrated express, Cartage and Highway Transport (rail) services.

Source: D.B.S., Railway Transport, Part IV (Catalogue No. 52-212). The 1966 data were adjusted to the old classification.

REFERENCES

- 1/ Railway Labour Disputes Act, 1903. For other Federal Labour Legislation, See Appendix F.
- 2/ Most of the information in this section is from the following sources: Report of the Royal Commission to Inquire into Railways and Transportation in Canada, 1931-2; Report of the Royal Commission on Transportation, 1951; Jackman, W.T., Economic Principles of Transportation; Fournier, L.T., Railway Nationalization in Canada; Currie, A.W., Economics of Canadian Transportation; Thompson, L.R., The Canadian Railway Problem; and The Canada Year Book.
- 3/ Royal Commission on Railways, 1931-2 Report, p. 86.
- 4/ The Canada Year Book, 1941, p. 552.
- 5/ The Canada Year Book, 1954, p. 790.
- 6/ Conditional to the entry of British Columbia into the Confederation the Dominion Government undertook to join the province by rail with central Canada. Since the line was intended as a means to political unity rather than as commercial enterprise and there was no possibility of an immediate return to capital, private finance could not be attracted. Hence the Government was compelled to undertake its construction.
- 7/ Fell, C.P., "Transportation-Railway Debts" in The Canadian Economy and its Problems, Innis, H.A., and Plumptre, A.F.W., (eds.), p. 65, Of the total railway land grants the Canadian Pacific received 75 per cent, which in terms of revenue amounted to \$225-250 million. Ibid. See also the Report of the Royal Commission 1931-2, pp. 77-88. It is maintained by some writers that all the aid to the C.P.R. was necessary in the early period to stimulate national development. See Safarian, A.E., The Canadian Economy in the Great Depression, p. 13.
- 8/ The monopoly clause was abrogated in 1888 because of pressure from prairie farmers and complaints of high charges and inadequate facilities; also because of a Government guarantee of a \$15 million bond issue, See Report of the Royal Commission 1931-2, pp. 78-79.
- 9/ Canadian Pacific Railway Company, Thirty-Seventh Annual Meeting, May 1st, 1918, Report of the Proceedings, p. 13.
- 10/ Substantial help was also extended to the company during the depression of the 1930's. See Jackman, W.T., "War and the Post-War Transportation Problems of Canada", in Transportation; War and Post-War, The Annals of the American Academy of Political and Social Science, Wilson, G. Lloyd, (ed.), 1943, p. 125.
- 11/ Public pressure, especially from the prairie provinces forced the Government to impose a special tax on the Canadian Pacific in 1918 so

that the company would not benefit from increases in charges granted by the Board of Transport Commissioners. See Canadian Pacific Railway Company, Annual Report, May 1, 1918, pp. 5-6.

- 12/ The figures are from Viner, J., Canada's Balance of International Indebtedness 1900-1913, p. 139.
- 13/ See Currie, A.W., Economics of Canada Transportation, p. 578; Glazebrook, G.P. de T., A History of Transportation in Canada, p. 347; and MacGibbon, D.A. Rates and the Canadian Railway Commission, p. 25.
- 14/ Currie, A.W., "The Transportation Problem", in Features of Present-Day Canada, Coats, H.B. (ed.), The Annals of the American Academy of Political and Social Science, 1947, p. 81. On the same subject and on railway investments in the period 1923-1931, see Fournier, L.T., "Present Railroad Problems in Canada", in Railroads and Government, The Annals, 1936, p. 154; Safarian, A.E., The Canadian Economy in the Great Depression, p. 30.
- 15/ Royal Commission, 1951, Report p. 249.
- 16/ Currie, A.W., The Grand Trunk Railway of Canada, p. 328 and p. 330.
- 17/ The Grand Trunk Railway accused the Government of wanting to destroy the company. Currie, op. cit., pp. 324-5.
- 18/ Royal Commission on the Railways, 1931-2, Report, p. 53.
- 19/ Ibid., p. 43.
- 20/ Sir Henry Thornton to House of Commons Select Committee on Railways and Shipping, Minutes of Proceedings and Evidence, Journal of the House of Commons, February-June Session 1925, Appendix 2, p. 9.
- 21/ Sir Henry Drayton, member of the above committee, Ibid., p. 7.
- 22/ Royal Commission on the Railways, 1931-2, Report, p. 13.
- 23/ In 1931 the Royal Commission on railways strongly criticized the waste and extravagance of the National system and condemned the wasteful competition. The result was the enactment of the Canadian National-Canadian Pacific Act of 1933 ordering co-operation between the two systems.
- 24/ D.B.S., Canada Year Book, 1941, p. 577.
- 25/ The Consolidated Railway Act, 1879, (42 Vict., c 9.)
- 26/ The Canada Year Book, 1940, p. 634.
- 27/ Royal Commission on Railways, 1886, Report, p. 12.
- 28/ The Canada Year Book, 1936, pp. 651-652.

- 29/ The investigation was conducted by Professor S.J. McLean on behalf of the Federal Department of Railways and Canals.
- 30/ Railway Act 1903, (3 Edw., VII, c. 58). The Board consisted of three members; in 1908 the membership was raised to six. (7-8 Edw., VII, c. 62). In 1938 the Board was entrusted with the regulation of other means of transportation and communication such as air, water and telephone, and its name was changed to Board of Transport Commissioners for Canada. The Transport Act, 1938, (1 Edw., VIII, c. 34).
- 31/ Railway Act, 1903, Section 328(5).
- 32/ Railway Act, 1903, Section 328(6). In return for a Government subsidy of \$3,360,000 for the construction of a line over the Crow's Nest Pass in 1897, the Canadian Pacific undertook to reduce the rates of certain specific classes of freight westbound from points east of the head of the Great Lakes, and to reduce by three cents the rates per 100 pounds of grain and grain products eastbound from points west of the lakehead. In succeeding years the agreement was extended to all railways and formed the basis of the western freight rate structure which has remained in effect to this day.
- 33/ (17 Geo. V, c 44) The Act provides for rates lower than the normal rates for all freight originating from the Atlantic Provinces; the difference is made up to the railways by the Government.
- 34/ Section 328.
- 35/ Canadian Pacific Railway, Annual Meeting of May 1, 1918, Report of Proceedings, pp. 5-6.
- 36/ Currie, A.W., op. cit., p. 70.
- 37/ Currie, op. cit., p. 72 (quoting the Board).
- 38/ Order in Council, P.C. 2434 dated October 6, 1920, Also see the Eighteenth Report of the Board of Railway Commissioners for Canada, 1922, p. 15, in Sessional Papers 29-211, Vol. LIX, No. 6, 1923.
- 39/ B.T.C., Judgment and Order, File No. 48771 of November 17, 1958, p. 12.
- 40/ On December 21, 1950 the C.P.R. applied to the Board to fix a definite return on its investment of not less than $6\frac{1}{2}\%$. The estimated net investment at December 31, 1951 was \$1,140,214,801. The Board declined to accept the "rate base-rate of return" method as the sole determinant of a permissive level of rates. B.T.C., "Rate Base-Rate of Return Case", Fiftieth Report, 1954, p. 12.
- 41/ B.T.C., Judgment and Order, File No. 48771 of November 17, 1958, p. 24.
- 42/ Ibid., p. 16

- 43/ Board of Transport Commissioners for Canada, Judgment and Order, File No. 48771 of November 17, 1958, p. 16.
- 44/ Ibid., p. 25.
- 45/ Commissioner H.B. Chase in "Further Observations" to the judgement of November 17, 1958, p. 32.
- 46/ Statement issued by the Government on November 26, 1958.
- 47/ On May 13, 1959 the MacPherson Royal Commission on Transportation was appointed, under terms set forth in Order in Council P.C. 1959-577.
- 48/ Statement issued by the Government on November 26, 1958.
- 49/ For some comments on the conflicts between rate increases and labour costs, see Royal Commission on Transportation, 1951, Report, pp. 282-283.
- 50/ Class I and II railways only. See note 1 at the end of Table VIII.

CHAPTER II

THE RAILWAY UNIONS—ORGANIZATION AND STRUCTURE

1. ORGANIZATION

Canadian railway employees are divided into three broad groups: Transportation—engineers, firemen, conductors, trainmen and other occupations "engaged in the actual physical movement of trains and cars", referred to as the "operating group"; Maintenance of Way and Structures—sectionmen, telegraph and telephone linesmen and groundsmen, carpenters, masons and other occupations engaged in construction and repair work on the permanent way and other railway property; and Maintenance of Equipment—blacksmiths, boilermakers and others employed in railway shops. The last two groups are known as the "non-operating employees".

The majority of railway employees are organized into craft unions; hence there are as many unions in the industry as there are skills. In all they number twenty-two. But some of them, such as those of shop employees, carpenters and bricklayers are not strictly railway unions. The organizations of railwaymen and their memberships are shown in Table IX.

TABLE IX

The Organizations of Railway Employees and
Their Membership, 1925, 1959 and 1966

<u>Name of Organization</u>	<u>Membership</u>		
	<u>1925</u>	<u>1959</u>	<u>1966</u>
1. Brotherhood of Locomotive Engineers	6,372	9,086	8,462
2. Brotherhood of Locomotive Firemen and Enginemen	7,311	9,289	7,263
3. Brotherhood of Railroad Trainmen	14,409	22,573	20,361
4. Order of Railway Conductors	4,058	722	212

These four are the Independent International
Unions, referred to in the past as the
"Big Four".

5. International Brotherhood of Maintenance of Way Employees	6,221	20,000	20,000
6. Order of Railroad Telegraphers	7,306	10,483	4,772
7. Brotherhood of Railroad Signalmen	250	991	1,150
8. Brotherhood of Sleeping Car Porters	N.A.	N.A.	333
9. Switchmen's Union	131	28	21
10. Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees	3,500	21,069	17,922
11. Transportation-Communication Employees Union	N.A.	N.A.	N.A.
12. Commercial Telegraphers Union	N.A.	N.A.	N.A.

These eight are international organizations
affiliated with the A.F. of L.—C.I.O. and
the C.L.C.

Table IX (Cont'd.)

13.	<u>Canadian</u> Brotherhood of Railway, Transport and General Workers	13,700	33,209	33,310
14.	<u>Canadian</u> National Railways Police Association	N.A.	N.A.	426
15.	<u>Canadian</u> Railway Mail Clerks' Federation	N.A.	N.A.	616
16.	Brotherhood of Railway Carmen of America	N.A.	N.A.	17,544
17.	International Association of Machinists and Aerospace Workers (AFL-CIO/CLC)			
18.	International Brotherhood of Boilermakers, Iron Shipbuilders, Blacksmiths, Forgers and Helpers (AFL-CIO/CLC)			
19.	International Brotherhood of Electrical Workers (AFL-CIO/CLC)			
20.	International Brotherhood of Firemen and Oilers (AFL-CIO/CLC)			
21.	International Molders and Allied Workers' Union (AFL-CIO/CLC)			
22.	Sheet Metal Workers' International Association (AFL-CIO/CLC)			
23.	United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada (AFL-CIO/CLC)*			

*The last eight are largely in Railway Carshops. They, and the Transportation-Communication Union and the Commercial Telegraphers Union, are not strictly railway unions. Hence the membership data given in the source—Labour Organizations in Canada, pertain to all members of each union regardless of the industry in which they are employed. For example, the membership of the International Brotherhood of Electrical Workers is given as 42,049—this being its total membership in all industries.

Source: Canada Department of Labour, Labour Organizations In Canada, Queen's Printer, Ottawa (Annual).

Evidently industrial unionism has not had even a limited success in the Canadian railway industry. Either the loyalty of Canadian railwaymen to their respective crafts has been very strong, or a really sustained drive for the amalgamation or federation of the various unions has never taken place.

All railway labour organizations in Canada, with the exception of the Canadian Brotherhood of Railway Transport and General Workers are international. Usually a Canadian vice-president is in charge of Canadian affairs, but since most of the membership is in the United States the unions' policies are formulated at the grand lodges or central headquarters.

The initial organization of labour in Canadian railways was largely an extension of the organizational activities of United States railway unions. Their beginning is placed in the 1860's and 1870's, and at first involved railway craftsmen. The so-called "running trades"—engineers, firemen, conductors and trainmen—also began to form lodges in Canada at this time, although their primary function appears to have been to provide insurance and other benefits to members and their families, rather than to engage in collective bargaining. To this may be attributed the fact that unlike in the case of The Brotherhood of Maintenance of Way Employees the railways did not resist actively the organization of the running trades (operating employees).

A. The Brotherhoods of Operating Employees

The Brotherhood of Locomotive Engineers is recorded as the first of the running trades to establish lodges in Canada. Its organizational activities commenced in 1864—just one year after its establishment in Detroit—

and within a year it became firmly entrenched with lodges in Montreal, Halifax and most major cities in Ontario.

The Locomotive Engineers were followed by The Brotherhood of Railway Conductors in 1868; The Brotherhood of Firemen and Enginemen in the 1870's; The Brotherhood of Railroad Trainmen in 1885; and The Brotherhood of Railway Telegraphers in 1886. Thus it may be said that the organization of engineers provided the necessary impetus for the organization of the other running trades, whereas the determination of each trade to remain independent facilitated the organization of each trade on its own.

The unions of operating employees have remained independent of one another in both policy and action, and have not affiliated with any central labour organization. In recent years they have established joint committees of their executive officers, but the function of these committees is largely of a consultative nature.

Most engineers are members of The Brotherhood of Locomotive Engineers and most firemen are members of The Brotherhood of Locomotive Firemen and Enginemen. Some engineers and some firemen hold membership in both brotherhoods. This is necessitated by the fact that seniority arrangements in their respective employments permit them to alternate between the two occupational activities. The other occupations of operating employees are represented mainly by the Brotherhood of Railroad Trainmen. There is also The Order of Railway Conductors and Brakemen but its membership numbered only 212 in 1966.

The occupational classifications represented by each brotherhood are as follows:

Brotherhood of Locomotive Enginemen

- * Road passenger engineers and motormen
- * Road freight engineers and motormen
- * Yard engineers and motormen (most of these)

Brotherhood of Locomotive Firemen and Enginemen

- * Road passenger firemen and helpers
- * Road freight firemen and helpers
- * Yard firemen and helpers

Hustlers

Brotherhood of Railroad Trainmen

Road Passenger Conductors

Road Freight Conductors

Road Passenger Brakemen and Baggage-men

Road Freight Brakemen

Switch Tenders

Yardmasters and assistants

Yard foremen

Yard helpers

- * Some of these hold dual memberships—in the Brotherhood of Locomotive Engineers and in the Brotherhood of Locomotive Firemen and Enginemen.

In terms of membership, the Brotherhood of Railroad Trainmen is the largest—20,361 members in 1966; next is the Brotherhood of Locomotive Engineers with 8,462 members; followed by the Brotherhood of Locomotive Firemen and Enginemen with a membership of 7,263. A comparison between

these membership figures and the numbers employed in each occupation will show them to be considerably higher. The explanation given is: the membership figures include employees of the smaller railways; a number of employees hold dual memberships, resulting in double counting; some unemployed workers continue to hold their memberships; and many retired members remain on the membership records.

B. Relations Between the Brotherhoods

Excepting the Order of Conductors and the Brotherhood of Trainmen who periodically have submitted joint demands on the railways, the organizations of operating employees have seldom approached management in concert. In 1933 they and the Order of Railroad Telegraphers formed a joint committee of their General Chairmen for the purpose of taking joint action against further wage cuts, but the committee was a mere medium for contact and discussion—it had no authority.

As already stated, the Brotherhoods remained independent of other labour organizations, as well as of one another. Traditionally they have been staunchly independent and frequently in conflict amongst themselves. 1/

An illustration is provided by the application of the seniority regulations: in periods of decline in economic activity when reductions in the labour force become necessary, the junior engineer automatically takes the position of a senior fireman while a junior fireman is released from employment. Likewise, a junior conductor is reduced to senior trainman while the most junior trainman is released.

Conflicts also arise between locomotivemen on the one hand and conductors and trainmen on the other. In 1917 the latter opposed legislation to

regulate the hours of work of train crews demanded by the former, even though it would appear that men were working twenty-four hours and over continually. 2/ The locomotivemen asserted that when a train had to be stopped between stations by reason of bad weather or other causes, conductors and trainmen could go to sleep, while they had to remain in the engine where there was insufficient room for rest.

C. Organization of Non-Operating Employees

The first non-craft, non-operating railway employees to organize (aside from the telegraphers who are not strictly railway) were The Maintenance of Way Employees. The first lodges of the brotherhood were organized at the turn of the century, but recognition for bargaining purposes was not extended to them until 1901. Its membership consists mainly of sectionmen. There are also construction workers who are employed by the railways, and a variety of other semi-skilled and unskilled workers engaged in various forms of activity on the permanent way. Because most of its membership consists of sectionmen, whose numbers fluctuate drastically between summer and winter, and whose desire to join the organization has not been very strong, the brotherhood is rather weak.

This is the only union which negotiates simultaneously with all the railways through The Railway Association of Canada. There is no verified explanation for this: possibly, because a number of railways use the same tracks, permanent way workers represented by the union in effect serve several companies.

The second union of railway employees with industrial rather than strictly craft characteristics was organized in late 1908: The Canadian

Brotherhood of Railway Employees and Other Transport Workers (C.B.R.T.).

This was the first purely Canadian railway union. Its international rival is The Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees. Because they appeal to the same occupations, at various times in the past each has attempted to invade the other's territory and disputes were quite frequent. In fact a series of jurisdictional disputes between them was responsible for a serious rift in the labour movement, and resulted in the expulsion in 1920 of the C.B.R.T. from the Trades and Labour Congress. However, with the establishment of uniform wage rates and working conditions throughout the industry, the workers' incentive to transfer their allegiance has been reduced; and so in the end each union has limited its activities to one railway—the C.B.R.T. representing employees of the C.N.R., and the Railway and Steamship Clerks representing those of the C.P.R.

The Canadian Brotherhood of Railway, Transport and General Workers was originally patterned along the lines of the British National Union of Railwaymen: it planned to admit into membership all railway employees regardless of the type of work they performed, but for some unknown reason it has limited its membership to the intermediate and low-skilled occupations. The union's leadership has two broad objectives: to establish a strong industrial union; and to counter-balance the American dominance over Canadian labour organizations. For this purpose in 1921 the brotherhood joined with other Canadian unions to form the All Canadian Congress of Labour.

Finally, there are the railway shop employees. The following job classifications are employed in railway car shops:

Boilermakers

Pipefitters

Sheet metal workers

Electrical workers

Blacksmiths

Machinists

Carmen, Helpers and Labourers

They belong to eight different international trade unions:

The International Association of Machinists and Aerospace Workers

The United Association of Journeymen and Apprentices of the Plumbing and Pipefitting Industry of the United States and Canada

The International Brotherhood of Boilermakers, Iron Shipbuilders, Blacksmiths, Forgers and Helpers

The Brotherhood of Railway Carmen of America

The International Brotherhood of Electrical Workers

Sheetmetal Workers International Association

International Brotherhood of Firemen and Oilers

Power Plant Operators, Helpers, Roundhouse and Railway Shop Labourers

It is evident that most of the employees in carshops are organized mainly in craft unions. Most of them are strictly along occupational lines and many of them function in other industries as well. The largest amongst them, and the only one which cuts across craft lines and has some of the characteristics of an industrial union is The Brotherhood of Railway Carmen of America.

For bargaining purposes the unions of shopcraft employees are united within Division No. 4 of the Railway Employees Department of the A.F. of L.

2. STRUCTURE

Being craft unions the majority of railway employees are affiliated with the American Federation of Labour and/or The Canadian Labour Congress. As stated earlier, the brotherhoods of the running trades have remained independent of each other and independent of central labour organizations. For the purpose of policy formation on issues that concern them all, and for the purpose of joint action on legislative matters affecting railway workers generally, they have established consultative bodies of their executive officers. Also there are two Canadian unions—The C.B.R.T. and The Brotherhood of Express Employees.

The organizational structures of the brotherhoods are very similar; at the bottom of the pyramid are the locals or lodges, and at the top is the national or international office. The lodges are located at the various divisional points and confine their membership to employees of one line or system only. Each brotherhood has an elaborate system of committees at each level of its organizational structure, each committee being constituted of delegate members and dealing with a specific set of issues. There are grievance committees, protective committees, committees of adjustment, and so on. The chairmen of each of these committees form a senior or "general committee" which deals with problems that cannot be resolved at the local level. For the purpose of grievances, for example, the C.N.R. is divided in three regions and the C.P.R. in two, and there is a general grievance committee for each.

The local committees have varying degrees of authority. They are concerned mainly with the interpretation and implementation of the collective

agreement, and particularly with issues pertaining to the rules of work. Where problems arise for which specific rules do not exist, the committees enter into negotiations with representatives of management and seek out the appropriate solution. Issues which are not limited to a local situation, are dealt with by the general committee either directly with the appropriate representative of management or by itself, and the decision is communicated to the local committees.

Because shop-workers are organized along craft lines, in each shop there are as many unions as there are crafts. Each union has a shop chairman and a local committee of delegates; they constitute the official executive body in the shop responsible for the administration of the contract. Generally, both the shop chairmen and the delegates are elected. Since there are a number of unions in each shop, and since there arise issues which affect all workers in the shop, it has become necessary to create an inter-union consultative body. This body is constituted of delegates from each union, and deals with issues relating to general working conditions in the plant.

Shop chairmen and their local committees have considerable decision-making authority relating to the day-to-day administration of the contract, and bear considerable responsibility for the state of labour-management relations in the plant and the industry generally. Their official contact with management extends through the entire managerial hierarchy of the plant shop foremen, general shop foremen, assistant works managers, and works managers.

In addition to the local general grievance committees, there are two delegate bodies which act as forums or co-ordinating bodies for their

unions. These are The District Union Councils of which there are six, and The Federation of Allied Trades. Four of the six councils are of the C.B.R.T., and the other two are of the machinists' union and the boiler-makers' union respectively.

The Federation of Allied Trades was organized to represent various allied shop crafts, and negotiates on their behalf as Division No. 4 of the Railway Employees Department of the A.F. of L. In addition to its role as the negotiating body for the allied crafts, the division is also the central co-ordinating body for the railway shop unions affiliated with the A.F. of L. The machinists' union is the only non-affiliate included in the division.

Division No. 4 is divided into a number of sub-divisions, two of which are designated as system federations No. 11 and No. 125 relating to the C.N.R. and C.P.R. respectively. Number 11 is organized in three area sub-divisions, conforming to the corresponding divisional organization of the C.N.R.—Atlantic, Central, and Western. The executive of division Number 4 is constituted of the executive officers of the affiliated unions.

There is also a voluntary organization of railway union officers, known as the Canadian Railway Labour Executives' Association. Its declared purpose is "to initiate and maintain co-operative action and co-ordinated policy on all matters of mutual interest and importance to members of international railway unions in Canada". 3/ The participating organizations are:

1. Brotherhood of Locomotive Engineers
2. Brotherhood of Locomotive Firemen and Enginemen

3. Brotherhood of Maintenance of Way Employees
4. Brotherhood of Railroad Trainmen
5. Brotherhood of Railway Carmen of America
6. Brotherhood of Railway and Steamship Clerks, Freight handlers, Express and Station Employees
7. Brotherhood of Sleeping Car Porters
8. Brotherhood of Railroad Signalmen
9. Commercial Telegraphers Union
10. International Association of Machinists and Aerospace Workers
11. International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers
12. International Brotherhood of Electrical Workers
13. International Brotherhood of Firemen and Oilers, Helpers, Roundhouse and Railway Shop Employees
14. Transportation-Communication Employees Union
15. Sheet Metal Workers' International Association
16. United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada.

Finally, there is a General Conference Committee of the Associated Non-Operating Railway Unions which is constituted of fifteen organizations. This is a policy-making body concerned with matters relating to wages and working conditions. The fifteen participants are:

1. Brotherhood of Maintenance of Way Employees
2. Brotherhood of Railway Signalmen
3. Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees
4. Brotherhood of Sleeping Car Porters
5. Brotherhood of Railway Carmen of America

6. Canadian Brotherhood of Railway, Transport and General Workers
7. The Commercial Telegraphers' Union
8. International Association of Machinists and Aerospace Workers
9. International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers
10. International Brotherhood of Electrical Workers
11. International Brotherhood of Firemen and Oilers, Helpers, Roundhouse and Railway Shop Employees
12. International Moulders' and Allied Workers' Union
13. Sheet Metal Workers' International Association
14. Transportation-Communication Employees Union
15. United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada.

In the foregoing I have attempted to present an outline of the salient features of labour organization in Canadian railways. It is a vast tangle, a web of union organizations. To untangle them, and to assess the multiple policies and degree of influence they bear on the collective bargaining process, would constitute a major undertaking.

3. UNION SECURITY

Because of the nature of railroad employment union security has never been an important issue in labour-management relations. Apprenticeship regulations and the strict application of seniority rules in hiring, transfers, promotions, allocation of work and so on, provide all the security that a closed shop would. This is attested to by the fact that almost

one-half of the collective agreements concluded at the C.N.R. are with unions that have not been certified: the company recognizes them as bargaining agents without the benefit of certification.

From the very beginning, the railways recognized the existence of the organizations of their employees, although they treated union officers as representatives of the employees rather than in their official union capacities.

The attitude of the railways toward union security is contained in a statement presented to the Kellock Royal Commission in 1950. A distinction is made between genuine security and artificial security.

Genuine security is based upon recognition of a mutuality of interests among management, union and employees; and upon the desire of all parties to co-operate in the fulfillment of common aims. However, when the actions of any of the parties pursuing their separate interests may have produced an atmosphere of insecurity and conflict and a bond of compulsion is supposed necessary to hold them together the security is artificial. Both means are intended to provide security to the union but the former is constructive and the latter destructive of good labour relations.

Genuine union security and good labour relations are complementary and interdependent. 4/

Since apprenticeship programmes and seniority rules are regarded as perfect substitutes for written union security provisions, it is of value to examine the relationship between them and the union organizations. The question arises whether provisions for union security, in any form, are necessary when apprenticeship and seniority rules are set and manipulated in consultation, and with the co-operation, of the unions concerned.

The apprenticeship regulations are standardized for all shop crafts, and are included in the master agreement between the unions and the railways. Whatever special regulations are deemed necessary for training in

individual crafts are also incorporated in the general document. The number of apprentices taken depends upon the number of qualified applicants 5/ and the anticipated attrition in each craft through death, retirement, resignation, and promotion. It follows that the number of apprentices taken varies from year to year, but by agreement the ratio cannot exceed one apprentice to five craftsmen. These regulations ensure a degree of control over the supply of craftsmen and hence the pricing of their services.

4. SENIORITY PROVISIONS

The establishment of seniority rules has long been regarded as one of the most important principles of trade unionism. It is based on the proposition that there is a positive relationship between an individual's length of service in a given capacity, for a given employer, and his right to employment in that or a similar capacity within the same department, section, plant or division. The rules are applied in a variety of situations: when reductions in the labour force become necessary—whether temporary or permanent; when vacancies are filled; when manpower relocations become necessary; when promotions are considered; and generally where changes in operations require manpower adjustments.

The following relevant rules are found in collective agreements on the railways:

When the force is reduced seniority...shall govern; the men affected to take the rate of the job to which they are assigned. In the restoration of forces senior men laid off shall be given preference of re-employment. Local Committees shall be furnished with a list of men to be restored to service.

When reducing forces, if men are needed at any other point they will (if suitable for work required) be given preference to

transfer to nearest points, with privilege of returning to home station when force is increased, such transfers to be made without expense to the company. Seniority to govern in all cases.

When new jobs are created or vacancies occur in preference jobs in the respective crafts, senior employees at point at which vacancies occur shall, if sufficient ability is shown by trial, be given preference in filling such new jobs or any vacancies that may be desirable to them. The Local Committee shall be consulted on selection of applicants.

Employees who have given long and faithful service in the employ of the company and who have become unable to handle heavy work to advantage will be given preference of such light work in their line as they are able to handle.

The existence and application of such broad seniority rules is a mark of stability in labour-management relations at the work level. When workers gain the privilege of an undertaking by the employer to test applicants from amongst them for whatever vacancies may arise, before going to the market, and when he has undertaken to fill a given vacancy with the most senior applicant who has demonstrated his ability, an important aspect of labour-management relations at the work level is resolved satisfactorily.

To the running trades seniority provisions are of crucial significance: because of the nature of their work and fluctuating traffic volume they are subject to irregular assignments; also, the nature of their work limits their mobility within the industry only—there is no demand for their services outside the railway industry and hence their services have no transfer value. In view of this, it is quite understandable why there have developed rather elaborate and in some instances rather rigid seniority rules. They relate not only to lay-offs, promotions, transfers, etc., but also on whether a man will be working at a given time and what kind of work he would be performing.

In many respects the rules are the same as those governing the employment of other workers: new positions are posted on bulletin boards and employees from within the seniority district involved bid for them. The most senior employee who possesses the necessary qualifications must be offered the position. Thus, given the required qualifications, seniority determines who will be appointed to new positions, to preferred positions, to new runs and preferred runs. Similarly, when positions and runs are abandoned seniority is the sole basis on which manpower readjustments are put into effect. When a position is abolished, its occupant has the privilege to exercise his seniority and "bump" a less senior man out of his position. The latter can exercise his seniority in turn and "bump" the man less senior to himself, and so on down the ladder until the very bottom man is dropped out.

The application of seniority rules is limited to individual seniority districts. There are hundred of districts, and they vary in size, methods in which the rules are applied, and what workers are included in them. Regarding the last point, for example, road service employees and yard service employees frequently belong to different seniority groups. This precludes the possibility of workers who are normally employed in road services to move into yard service and vice versa when manpower readjustments within road and yard services become necessary. The restrictive nature of this provision has long been recognized and efforts are being made towards its modification. The objective is to integrate the two groups within one seniority list. On November 7, 1962, the Canadian Pacific and the Brotherhood of Railway Trainmen agreed in principle to establish interchangeable rights between yard and road service employees. But its application encountered serious difficulties: they disagreed on the fundamental issue of the

manner in which the seniority lists were to be integrated. The union demanded application of the "top over bottom" principle; whereas the company insisted on the adoption of the "dove-tailing" principles. Under the former, yard service employees with the highest seniority in their yard list, would enter at the bottom of the seniority list of the road service employees with whom they are being merged. The "dove-tailing" principle involves integration on the basis of seniority dates regardless whether employees are in yard or road service.

Another illustration of the complexity and rigidity of the system is the existence of separate seniority lists for road and yard service employees. Furthermore, except for temporary transfers, their seniority is limited to one district only, i.e., there are no provisions for transferability from one district to another. This is found to inhibit geographic mobility, and has been cited as one of the factors bearing on the misutilization of manpower resources. An industry in which employment is expanding may not find a rule of this nature an impediment to the efficient utilization of its labour force, but to one experiencing declining employment, combined with significant manpower adjustments, it must constitute a serious impediment.

A. The Process of Hiring Workers

All collective agreements provide that prior to the hiring of new employees the union must be consulted to determine whether there are any men available for recall to work. Considering that the process of laying off workers and their re-hiring is based on the seniority list, and the unions are the guardians of it, such consultation is a natural concomitant.

But even when foremen know that there are no names on the waiting list the practice has been to consult with union officers before going to the labour market.

Actually, the relationship between foremen and union officers at the work level is such that continuous consultation appears to take place on all matters relating to employment, including the hiring of new employees. Also, prudence dictates that union members available for employment, and recommended by the union, be given preference when hiring from the market. Maxwell Flood quotes one foreman to have said "If I recommend a man from outside and the union recommended another man—a man who was already a member of their union—the union nominee would have to get the preference". 6/ Some individuals have referred to this as a demonstration of union encroachment on managerial prerogatives; and others regarded it as abdication by management of its administrative function. "It is the principle of managerial prerogative that is important here," declared a representative of management, "rather than whether the practice has worked out satisfactorily from the standpoint of hiring competent personnel, and maintaining good relations with the union".

It is instructive that the propagation of principles seems to acquire increasing force as one moves further and further from the work process. The representatives of management who are in continuous contact with the work force—assistant foremen, foremen, assistant works managers and works managers—not only seek the advice of union officers but also accept readily their assistance. Seldom, if ever, do the majority of them think in terms of the principle of management prerogatives. By contrast, those whose contact with the workers is most infrequent, and whose association

with union officers is limited usually to bargaining sessions, appear greatly concerned about union encroachment on matters which are deemed to be within the managerial domain. Considering that no account is taken of whether the outcome is advantageous from the standpoint of efficiency in operations, it can be concluded that resistance to labour-management co-operation at the administrative level is motivated by socio-psychological rather than economic factors.

B. The Dismissal Procedure

In his investigation of union-management relations at the Canadian Pacific Railway's Angus Shops, Max Flood found that the dismissal of workers was a very infrequent occurrence. Apparently, "higher management" does its utmost to discourage dismissals, even when such may be fully justified under the agreed-upon rules. One foreman could not remember anyone being fired from his department, even though a number of employees had accumulated the agreed upon maximum of demerit points. Another is quoted to have said: "I have never fired anyone—it is company policy".

The virtual absence of dismissals reflects the generally satisfactory functioning of the accommodative process at the work level. The policy appears to be that when an employee accumulates a maximum of demerit points, and thus becomes subject to automatic dismissal, for the plant manager to either ignore the fact or impose a temporary suspension. According to Flood's findings "Firing a man...would involve drawing the attention of head office and a series of such acts would involve head office intervention. This is why firings are almost unknown". 7/

C. The Lay-Off Procedure

As indicated elsewhere, all collective agreements provide that lay-offs will take place strictly on the basis of seniority. Up-to-date seniority lists for each department, district or region—depending upon the agreed basis on which seniority is applied—are kept by each union. Thus, although the number of workers to be laid-off and when they would be laid-off remains largely a strictly managerial decision, the decision regarding who would be laid-off is taken after consultation with union officers, to ensure compliance with the seniority rules.

The responsibility of unions for the maintenance of seniority lists, and their participation in determining who would be laid-off, are in fact administrative functions which were, and in many industries still are, strictly managerial functions. Nevertheless, the co-operative relationship existing on the railways appears to function satisfactorily. Union leaders hasten to emphasize, however, that as long as management decides unilaterally the number of workers to be laid off, and when they would be laid off, satisfactory relations will not be attained.

5. THE ORGANIZATION OF UNIONS FOR COLLECTIVE BARGAINING

Collective Bargaining has existed on Canadian railways almost from the beginning of their operations. Because Canadian railwaymen were organized as branches of unions functioning in the United States, their policies respecting relations with management were those practised by the parent organizations. Negotiations were carried out by union officers as accredited employee representatives rather than in their official capacities. The railways did not recognize them as officials of any specific organizations.

Until 1947 agreements were negotiated on a voluntary basis; since then the parties are compelled to negotiate by act of parliament. The Act states that "the rates of pay, hours of work and other terms and conditions of employment of employees,...(of the two main railways) shall be such as are set out in any agreements in writing...made from time to time between (the Railways)...and the representatives of interested parties..." 8/

As already stated in the section on labour organization, it has been the general practice of each brotherhood of the running trades to negotiate separately with each railway system. The only departure from this practice on record was during the depression of the 1930's when, at the suggestion of the railways, multi-company and multi-union bargaining took place. Joint negotiations were continued during World War II, mainly because the parties were required to make representations to the National War Labour Board for adjustments in wages. But, shortly after the War ended co-operation between operating and non-operating unions also ended. The settlement of July 1948 was the last to include the operating unions.

The failure of operating and non-operating unions to act together when conditions are normal can be explained on the following grounds: the operating employees are paid on a different basis, and have different working rules than the non-operating; and they feel sufficiently strong individually, to act effectively without "outside" support. Even though individually or collectively the operating unions have less members than the non-operating group, their skills cannot be found on the labour market and strike-breakers cannot be recruited. The ability of each operating union to tie up the whole railway system alone, has precluded the need for concerted action with other operating unions or with the unions of non-operating employees.

Failure to negotiate jointly does not, of course, mean that the operating unions do not co-operate. Although there are matters related to the nature and conditions of work on which they disagree, there are also some fundamental issues, such as wages and social security benefits, on which there is substantial agreement. Furthermore, in the negotiation of changes in collective agreements the practice has been to provide for all workers the conditions of employment (other than work rules) agreed upon by one of the unions. Hence, when a dispute arises between the railways and the "pattern setter" union, they all feel equally effected. In such circumstances, they have often united through committees of their general chairmen for the purpose of taking joint action.

The organizations of non-operating employees have demonstrated a greater degree of unity than those of their operating colleagues. They have negotiated jointly since 1934; and although on occasion they, too, have been confronted with policy differences that caused them to split in two or three groups, the majority remain staunch supporters of joint action. The only organization of non-operating employees that has demonstrated a determination to act independently is the Canadian Brotherhood of Railway, Transport and General Workers. It did not join the other unions officially in the preparation, presentation and negotiation of demands until 1952, and in 1966 left the group and sought to negotiate by itself. But, the Brotherhood soon found that there is no advantage in independent action: as indicated above, the agreement negotiated with a group of unions acting together has usually been adopted as the model for agreements with all other railway labour organizations, both operating and non-operating. So, it frequently happened that even the agreement concluded by one of the operating unions, became the basis of the agreement negotiated by the non-operating group.

This was effectively demonstrated during the 1966-68 negotiations. The non-operating unions split into three groups: Shop Craft Employees; the C.B.R.T.; and a Residual Group which included the remaining unions. Each group negotiated separately; and a separate Conciliation Board was established for each. At the same time the Brotherhood of Railroad Trainmen was negotiating, and for it too a Board of Conciliation was created. The first Board to report was that dealing with the dispute between the Railways and the Residual Group of Non-Operating Unions. The recommendations of the other Boards were the same as those of the first, with the exception of some modifications in favour of certain skilled workers in railway car shops. Ultimately, all agreements contained essentially the same provisions.

Thus, the existence of a large number of unions on the railways does not constitute a problem for labour-management relations. It simply means that a large number of agreements have to be concluded, frequently involving a number for each union, all of which contain substantially the same major provisions. The only problem of consequence arises from the fact that negotiations with the smaller unions must necessarily be postponed until an agreement is concluded with one of the major unions or with a group of them. Workers of the smaller unions find this frustrating; which has frequently lead to agitation for a more efficient system.

From the standpoint of the railways, the large number of unions and the tens of agreements in effect, mean continuous year-around negotiations. The number of unions with which the Canadian National Railway System deals, and the number of agreements in effect in mid-1964 are given in Table X.

TABLE X

Labour Organizations and Collective Agreements in
Effect at the Canadian National
Railways in Mid-1964

<u>No. of Agreements</u>	<u>No. of Employees</u>	<u>Name of Organization</u>
6	2,602	Brotherhood of Locomotive Engineers
9	3,333	Brotherhood of Locomotive Firemen & Enginemen
20	9,982	Brotherhood of Railroad Trainmen
2	77	Order of Railway Conductors & Brakemen
32	23,958	Canadian Brotherhood of Railway, Transport and General Workers
13	3,268	Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express & Station Employees
11	3,909	Order of Railroad Telegraphers
1	2,498	Commercial Telegraphers Union
2	28	American Train Despatchers Association
24	14,873	Brotherhood of Maintenance of Way Employees
4	1,075	Brotherhood of Railroad Signalmen
9	14,700	Division No. 4 Railway Employees Department of the A.F. of L. and System Federation (composed of <u>seven</u> unions)
4	146	International Brotherhood of Firemen, Oilers, Helpers, Roundhouse & Railway Shop Labourers
1	23	International Union of Operating Employees
4	618	Hotel and Restaurant Employees & Bartenders International Union
1	69	Railway Patrolmen's International Union
1	417	Canadian National Police Association
5	149	American Railway Supervisors Association
1	55	Railroad Yardmasters of America

6. THE RATIFICATION OF COLLECTIVE AGREEMENTS

A serious controversy exists within unions and between union officers and management regarding the meaning and consequences of ratification by membership of contracts agreed upon by union and management negotiators. Many union officers have expressed opposition to the provision, because it weakened their power to bargain, and because it enables management representatives to refuse to bargain in good faith, but escape the penalty provided under the Industrial Relations Disputes Investigation Act (IRDI) on the basis that the union negotiators do not have authority to sign a final agreement. Management officers insist that the provision for ratification by union membership creates too much uncertainty during the process of bargaining. There is no reality in a game of give and take, they say, when the ultimate determinant of what and how much is given or taken is not a participant in the game. Furthermore, because railway employees are spread throughout the country, the ratification process delays the conclusion of the final agreement.

There is no provision in the IRDI Act regarding the ratification of collective agreements. As a result there exists a conflict between the time limitations imposed by the Act for the conclusion of agreements, and the requirement of some union constitutions for ratification by membership. Because of the physical and operational nature of the railway industry, and the consequent nature of railway employment, the ratification of agreements requires a longer period of time than the time periods contained in the Act. Unlike factory employment, where a meeting can be convened shortly after a notice is posted, railway employees are spread throughout the country. Evidently, a practice which is carried out efficiently in most industries has proven to be unduly cumbersome on the railways. But

the rank and file are yet to be convinced that democracy, even in its Athenean form, is a cumbersome method of government.

In arguing against the requirement for ratification a union officer presented his case in the following terms: "This whole problem is not really whether the Act allows or prohibits ratification, but rather, must the company agree to ratification of proposed contracts or can they insist under the terms of the Act on dealing with representatives of the union who have complete authority to conclude an agreement. It has always been the contention of the company that they have the legal right to insist on the latter. From the standpoint of the union, we absolutely insist on dealings only with officers who have complete authority." He cited two cases in which the requirement for ratification became a source of conflict. The first involved the Canadian National Railways Police Association and the Canadian National Railways. Apparently, at the commencement of collective bargaining the representatives of the Association were asked by management representatives whether they had full authority to conclude a collective agreement. When they replied that the proposed agreement would have to be ratified by the membership, the representatives of management refused to bargain. In response, the Association sought the advice of a conciliation officer, and entered negotiations again with authority to conclude an agreement even though this was contrary to the provisions of the Association's constitution. However, after the agreement was signed the Association called for the establishment of a Conciliation Board and asked the Board to set aside the signed agreement because it had not been ratified by the membership. In a majority recommendation the Board declared the agreement to be legal and binding. Thus, even though the constitution of the Association required membership ratification, the declaration of union negotiators

that they had full authority to conclude an agreement was deemed adequate to make the agreement binding.

The question arises, how binding can an agreement be? So long as union officers are attuned to the wishes of those whom they represent, there should be no difficulty in implementing agreements signed by union and management representatives without reference to the membership. But agreements which depart seriously from the wishes of the membership are likely to generate rather than resolve conflicts.

The second case demonstrates the consequences of unsatisfactory communication between union officers and the membership. It concerns the British Columbia District Telegraph Co. Ltd. and the Brotherhood of Electrical Workers, Local 213. Apparently, a majority of the local's membership voted to accept the Company's offer of a new wage contract, but the officers of the union refused to sign the agreement. Whereupon, the employees appealed to the international representative of the union, who signed on their behalf. However, the officers repudiated the agreement and served notice on the employer of intent to strike. The employer sought an injunction on the basis that the agreement was approved by a majority of the membership and was therefore binding. But, the Court dismissed the application on the ground that a vote by a majority of the employees in favour of the employer's offer was not sufficient to give the international representative authority to sign on behalf of the local. Only the local, as a certified bargaining agent, had the authority to agree to the terms and then to execute the agreement. Therefore, it was the Court's opinion that an agreement did not in fact exist. Evidently, a collective agreement cannot be accepted for rejected by a vote of the membership alone; it must be certified by the recognized bargaining agent.

A further conflict is found in the provisions of Section 27 of the IRDI Act, and the requirement for ratification of agreements. Section 27 states that the conciliation officer must report within a specified period of time on:

- (a) the matters, if any, upon which the parties agree;
- (b) the matters, if any, upon which the parties cannot agree; and
- (c) as to the advisability of appointing a conciliation board with a view to effecting an agreement.

It follows that under the Act the conciliation officer has the right to insist that the representatives of both management and labour indicate the areas of agreement and disagreement. The question is, how can the representatives of labour indicate areas of agreement without prior consultation with those who have the ultimate authority?

Ratification by the whole membership, like arbitration, is regarded as an impediment to genuine and conclusive collective bargaining. Labour negotiators find themselves compelled to think not only in terms of immediate and long run gains as they see them, but also in terms of whether the results will be acceptable to the membership. Considering that the membership votes on final results, most frequently without the background knowledge of factors that bore on the shaping of those results, the immediate appeal of the contract is frequently given greater weight during negotiations than otherwise would be the case. This explains in part why unions whose constitutions provide for the ratification of agreements, and unions whose weak leaders seek ratification as an expression of confidence, tend to place the emphasis on immediate gains such as wages, overtime pay and vacations.

The argument of those who are against membership ratification is that it is unfair to ask the average worker or even the local officer to vote on an issue without having a comprehensive knowledge of the background forces that shaped the issue on its final form. Had it been possible to communicate to all workers what had transpired over the many months of negotiations—the give and take, and all the forces that bore on the final results—their votes will acquire some meaning. But to ask them to vote on final results is neither a guide for future approaches in negotiation, nor informative regarding the forces that bear on wages, employment, technological and organizational changes, and so on. But considering that railway employees are spread throughout the nation, communication of the desirable sort would require a much longer period of time than is feasible in the bargaining process; and furthermore, it would entail considerable expense and require many competent individuals to provide the background information. This is a formidable task.

There are many groups of workers, however, who demand that everything be brought forth for ratification. For obvious reasons union leaders comply with these demands, even though they interpret them to reflect on their authority to negotiate. From the standpoint of the individual worker, membership ratification is a necessary means by which the leadership can be compelled to maintain continuous contact with actual working conditions. They fear that in the absence of ratification leaders can become so removed from the world of work as to forget the conditions under which their members dwell. This is a legitimate apprehension; even though it is recognized that any union leader who wishes to retain his leadership cannot isolate himself from the actual working situations to such an extent.

Most local unions require membership ratification of new contracts. But where this provision exists, there is also found a provision for approval or rejection of managements' counter-proposals, and for or against an approval or rejection by the negotiating committee of managements' counter-proposals. This is the provision most frequently criticized by union officers: it is interpreted to reflect a lack of confidence in their leadership.

Some union officers maintain that such provisions exist and are enforced only where the leadership is weak. Strong leaders, who have shown initiative, do not seek membership approval, except when they wish to demonstrate to management the unanimity of the membership. This explanation suggests that weak leaders seek approval or disapproval for the purpose of policy direction by the membership, whereas strong leaders seek the occasional vote for the purpose of confirmation of measures taken by them.

What is the alternative to membership ratification? Union officers who propagate the democratic process of government cannot very well suggest that the process of ratification by membership be dispensed with, even though many of them would be happy with such a decision. Some have gone so far as to suggest that in order to achieve greater efficiency in the process of collective bargaining and in dispute settlement, the IRDI Act should be amended to specifically prohibit ratification by the membership.

To dispense with the ratification of proposed agreements by union membership through Act of Parliament, is, of course, the easiest way out of a difficult position. But is this the most satisfactory way? The inability to organize and carry out an effective process of ratification within an acceptable period of time, means simply that the process as implemented

heretofore has been cumbersome. Therefore, two issues should be explored: the possibility of changing the process by which ratification has been carried out; and whether it would be equally "democratic" if the authority for ratification were vested to an assembly of elected delegates. Modern means of communication make it possible to convey people from coast to coast within relatively short periods of time. It should not be difficult, therefore, to call the assembly to session for the purpose of discussion and ratification of proposed agreements.

When ratification is not required, or is prohibited by law, there exists the danger that union officers will fail to remain attuned constantly to the wishes of the membership. Although the rank and file generally are given the opportunity to participate in the formulation of demands, there is usually considerable difference between the original submissions of members and committees of locals, and the contents of the ultimate agreement. It is natural that those who have participated in the formulation and compilation of demands, should want to know what was traded-off for what, in order to arrive at the final package.

It has been suggested that the difficulty does not arise from any lack of communication between union officers and the membership. Rather the difficulty arises from the physical impossibility to get the members together, to explain the trade-offs that resulted in the proposed provisions, and to obtain their individual opinions (votes) within a reasonable period of time. It should be recognized, however, that there is a significant difference between communicating to the membership the results of collective bargaining, and explaining to them the process by which the results were obtained. Also, there is an important difference between

explaining the results and seeking their consent for the implementation of the provisions. If it were only a matter of explanation, the purpose would be to inform, and time would not be the constraining factor that exists when ratification is required.

In summary, if ratification by membership were not required—whether by act of parliament or by the union constitution is immaterial—only two possible advantages may arise: Union negotiators would have the authority to negotiate and conclude agreements; and the time period between conclusion of agreements and implementation of their contents may be shortened. The possibility has also been suggested that some union officers may demonstrate greater flexibility in the bargaining process if they did not have to think whether the membership will cast a positive or negative vote on the issue.

There are disadvantages however: the vesting of negotiators with final authority to conclude agreements is a relatively simple process. But the trade-off for the delays and frustrations related to the process of ratification may be more frequent work stoppages, rather than a more expeditious process of collective bargaining. If the workers do not like what the union officers have agreed upon they are likely to strike regardless whether their officers had the legal right to sign the agreement. This is the reason for suggesting that each union create an assembly of delegates for the purpose of ratification. Just as the Cabinet reports and seeks the approval of the representatives of the people (Parliament), and just as company negotiators report and seek the approval of the company's executive committee or the board of directors, union negotiators should also report and seek the approval of some body of delegates created for the purpose. It could be the assembly of general chairmen only, or an assembly of the

negotiating committees at the local level. This is proposed as a preferable alternative to both the existing system of membership ratification, and the suggested vesting of final authority in the Union Negotiating Committee.

REFERENCES

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- 2/ Special Committee of the House of Commons on Bill No. 13, an "Act to Consolidate and Amend the Railway Act", Proceedings, Journal of the House of Commons, Session 1917, Appendix 2, p. 156 and p. 158.
- 3/ Department of Labour, Labour Organizations in Canada, 1966, p. 95.
- 4/ Statement of the Railways (to the Kellock Royal Commission 1950) p. 82.
- 5/ Certain educational qualifications; good health; between the ages of 16 and 21; able to work without glasses; good hearing; pass a company medical examination; and have a successful interview with a company official.
- 6/ Flood, Maxwell, The Local Union-Management Relationship—A Case Study (M.A. Thesis, McGill University, 1964), p. 68.
- 7/ Flood, Ibid., p. 66.
- 8/ Statutes of Canada 1947 (George VI, C.28). This regulation was added by amendment to the Canadian National—Canadian Pacific Act of 1933 by adding section 27A.

CHAPTER III

PATERNALISM, PATRIOTISM, CONFLICT, TRIUMPH— LABOUR-MANAGEMENT RELATIONS 1901 TO 1939

1. INTRODUCTION

From the beginning of this century the trend of money wages on the Canadian railways was steadily upward, reaching a peak in 1920 at more than three times the rates of 1901. 1/ Even in periods of severe economic decline such as the 1930's, downward movements were avoided by agreements providing for temporary deductions from railwaymen's earnings rather than by enforcing permanent reductions in rates of pay. The upward movement of railway wages was governed not so much by the industry's ability to pay, although this factor may have had a limiting effect, as by the rising level of prices, wages in other industries and the pressure of organized labour. Another important factor which in some years directly affected wage settlements, and in others influenced the course of negotiations, was the settlements concluded in the United States railways.

The period 1897-1920 was for Canada one of such prosperity as to have justified the prognostication that the twentieth century would be Canada's just as the nineteenth was America's. 2/ The availability of transportation, the exhaustion of free land in the United States, assistance given by

Federal and Provincial Governments to settlers, and the large scale propaganda conducted by the railways in Europe 3/ were responsible for the vast and continuous influx of immigrants. It would seem, however, that the railways were not successful in inducing skilled British and European railwaymen to immigrate in sufficiently large numbers, for throughout the period 1901-1913 the demand for qualified railway workers remained higher than the available supply. 4/ There are three possible reasons for the shortage: firstly, the demand was rising fast because of the construction of two major railways; 5/ secondly, because of sparsely populated territories running long distances entailed excessive hours of work; and thirdly, the railways were not meeting an existing demand for services, but rather creating or anticipating demand, so they were barely able to keep the level of their workers' wages equal to those of other industries. Even the maintenance of such equality was not without struggles: often strikes lasted so long that the railways had sufficient time to bring strike breakers all the way from the British Isles. In 1906 Mr. W.L. Mackenzie King, then Deputy Minister of Labour, was dispatched to London to urge the British Government to prevent strike breakers from coming to Canada in the guise of immigrants. 6/ This being a period not only of railway but also of general economic development in Canada, even keeping up with the wage levels of other industries involved substantial percentage increases for railway workers.

Between 1907 and 1914 Canadian railwaymen obtained substantial wage increases (Table XI). Two factors may account for this: first, the rising demand for qualified workers in a period of railway expansion; and second, the involvement of the Canadian Government in the operation of railways and the provision of legislative machinery for the settlement of disputes.

TABLE XI

Wage Rates of Certain Occupations of
Canadian Railwaymen in 1907 and 1914

Occupation	Rates of Pay per Week		Percentage Change <u>1914 over 1907</u>
	<u>1907</u> \$	<u>1914</u> \$	
Engine Driver	27.53	31.72	15
Fireman	16.10	19.00	18
Conductor	19.62	24.60	25
Sectionmen on line	9.30	10.80	16

Sources: Canada—Department of Labour, Wages and Hours of Labour in Canada, published annually as a supplement to The Labour Gazette. The rates of pay of "running trades" are on mileage basis. The weekly rates given in the Table have been calculated on the basis of 100 miles per normal working day for freight crews, ($12\frac{1}{2}$ miles per hour), and 150 miles (20 miles per hour) for passenger crews. Since different rates are quoted for yard, freight and passenger train crews, the average for the three grades has been used.

Table XI shows that engine drivers obtained smaller percentage increases than intermediate grades*, and even lower than low skilled workers. These greater improvements in the wage rates of the intermediate grades may have resulted from management's concern regarding their ability to retain the low grade and intermediate workers already in their employment, at rates considerably lower than those prevailing in other industries for work demanding equal skill and entailing the same degree of responsibility. When promotional opportunities are extensive, new recruits are influenced more by the possibilities for advancement, and hence by the wage rates commanded

*Since most railway employees possess some skill, instead of the conventional notations skilled, semi-skilled, unskilled, we shall use the terms skilled, intermediate, low skilled, respectively.

by the intermediate and higher grades and occupations than by the starting wage. Considering that the period 1910-1913 was one of prosperity and comparatively full employment, the rates of wages commanded by the intermediate grades might have adversely affected the recruitment of the desirable kind of worker—the one who physically and mentally would be qualified for promotion.

The very small advance in the wages of low skilled workers, of whom the sectionman is an example, may be explained on the ground that the kind of labour required for the low skilled positions remained in plentiful supply. Furthermore, the security of employment provided by the railways may have induced many low skilled workers to forego the somewhat higher weekly wages of other less secure employments. Although the need to staff newly constructed lines was the primary factor for the increase in the Canadian railwaymen's rates of pay, a secondary and perhaps as important a factor was the general trend of wages and the rates of workers in such industries as building and metal trades. (Table XII)

2. RELATIONS DURING WORLD WAR ONE

At the close of 1913 a slight decline in industrial activity was recorded which persisted and even worsened after the commencement of the War, mainly because Canadian exports to Europe were interrupted. There was an atmosphere of uncertainty and alarm in Canada, and "many manufacturing establishments either closed down completely, reduced working hours, or laid off numbers of employees." [7] Financial stringency caused by the interruption of the inflow of capital forced the suspension of many private projects, and even government and municipal undertakings were suspended for

TABLE XII

Index of Rates of Wages in Building and Metal Trades, and
Steam Railways in Canada, 1907, 1910 and 1914 (1907 = 100)

<u>Year</u>	<u>Building Trades (a)</u>	<u>Metal Trades (b)</u>	<u>Steam Railways (c)</u>	<u>Average of Six Trades (d)</u>
1907	100.0	100.0	100.0	100.0
1910	108.4	107.8	106.7	107.3
1914	125.7	122.0	111.5	122.3

(a) Seven Trades; (b) Five Trades; (c) Six Occupations—engineers, firemen, conductors, brakemen, telegraphers and sectionmen; (d) Simple average of wage rates of six trades—building, metal, printing, electric railways, steam railways and coal mining.

Source: Department of Labour, Wages and Hours of Labour in Canada, 1927.

lack of funds. Because the destination of most railway traffic was overseas, the interruption of transatlantic shipping forced the railways to take some trains off the service, to reduce train crews 8/ and staff generally, and to introduce short time to avoid wage reductions. As the War progressed and orders began to be placed with Canadian industry, some revival in economic activity took place, but since industrial development was limited the situation remained generally dull through 1915.

On the outbreak of the war both labour and management regarded the abnormalities caused by it as temporary and hence sought to reach temporary settlements involving wage increases designed merely to offset the rising cost of living. In such an environment railway wages followed the general

pattern. But the increases in wage rates obtained by railwaymen between 1914 and 1917 were hardly sufficient to offset the steeply rising cost of living. (Table XIII)

TABLE XIII

Indices of Railway Wage Rates and the
Cost of Living in Canada 1914 to 1917

<u>Year</u>	<u>C A N A D A (1913 = 100)</u>		
	<u>Wage Rates</u> (1)	<u>Cost of Living</u> (2)	<u>Real Wages</u> (3)
1914	101.4	103	98.4
1915	101.7	107	95.0
1916	105.9	124	85.4
1917	124.6*	143	87.1

*Including increases obtained at the end of the year by some employees.

Sources: (1) Department of Labour, Wages and Hours of Labour in Canada. The index is based on 23 classes of employees including employees in railway shops.
(2) Department of Labour, Prices in Canada and Other Countries, Annual Report, composed of food (35% weight), fuel and light (8%), rent (18½%), clothing (18½%), sundries (20%). Average prices 1913 = 100.
(3) Column (1) ÷ column (2).

Railwaymen did not awaken to the fact that the war would not be a short one until about the middle of 1916. But even after two years of war and the sharp rise in prices, management continued to oppose wage increases on the grounds that the market was abnormal, and that the security of employment and hence stability in earnings provided railwaymen with incomes which were "fair and reasonable." 9/ This reluctance of Canadian railway management to grant advances sufficient even to offset the rising cost of living was rooted in their apprehension lest the war should end soon and their market

revert to its 1913 state, leaving them with a high and rigid level of wage costs.

Railway workers were the more irritated because the disputes which emerged in 1916 had in fact originated at the end of 1913 or early 1914, but were suspended temporarily because of the war. In August 1914 conductors and trainmen of the Canadian Pacific had rejected the majority report of a Board of Conciliation, but "decided that these matters will be left in abeyance for a shorter or a longer period" because of "war developments in which the British Empire is so deeply interested and involved." 10/ This was the attitude of labour generally at the beginning of the war. Railwaymen agreed to maintain the status quo believing that the war would not last long. Even if all factors but the cost of living were set aside there was justification for greater wage advances than the railways conceded down to 1916 or showed willingness to concede in succeeding years.

3. MANAGERIAL OBSTINACY AND IMPOSITION OF THE McADOO AWARD

The most substantial and perhaps the most significant wage increases were obtained towards the end of the war and in the immediate post-war period. But contrary to experience in other industries, whereby agreements were achieved through negotiation, railway managers flatly refused to negotiate wage advances. In fact, they proved so inept and so lacking in vision and policy that in early 1918 they found themselves in the most undesirable position of having to surrender the determination of Canadian railway wages to the United States.

From the middle of 1917 to the end of the year almost all railway unions had sought to revise their agreements, demanding an eight-hour day,

changes in working rules and substantial increases in pay. The Canadian Pacific rejected the demands on the ground that employees had obtained substantial increases in 1916, changes in working rules would hamper the efficient operation of the lines, revision of the schedules of pay would raise operating costs and in any case "the remuneration paid at the present time under all circumstances was not only fair and ample, but in many cases excessive." 11/ They urged a Board of Conciliation that consideration be given also to all the amenities enjoyed by railwaymen such as free travel, 12/ uniforms and pensions. The last increase obtained by the men involved in this dispute 13/ was in 1916 when the cost of living stood at 124 (1913=100) compared with 152 in 1918. 14/ The Canadian Pacific policy was common to all railways. It was justified on the basis that they were not able to raise their charges. It appears that the railways resolved to resist the increase in the only cost over which they thought they had complete control, namely, wages.

But while the demands of Canadian railwaymen were being investigated by conciliation boards or negotiations were in progress, the Director General of railways of the United States, 15/ Mr. W.A. McAdoo, appointed a commission to investigate the wages of United States railwaymen from the standpoint of: their relation to wages in other industries, the emergency conditions of wartime and the high and rising cost of living. Since Canadian and United States railways operate lines and employ labour in both countries, there is a large interchange of traffic, the union organizations are international in scope, and work performed by railwaymen in both countries is much the same, developments in United States railways usually have immediate repercussions in Canada.

Realizing that whatever the outcome of the United States investigation it would affect Canadian railwaymen, and that a refusal of Canadian railways to concede increases at least equal to those granted to employees of United States railways would disrupt railway operations, the Government intervened and extracted a promise from the railways to apply the United States awards without amendment, while it in turn undertook to permit increases in charges. 16/ Thereupon, the railways informed the unions and the Boards of Conciliation holding hearings at the time, that disputes relating to rates of pay "should be left to abide the result of a movement in the United States..." 17/

Another possible reason for the Government's action was a desire to reward railwaymen for their co-operation in the war effort and for their abstention from demands during most of the war. In early 1918 at a conference between the Government and the railway brotherhoods, union representatives pressed the Government to compel the railways to raise the wages of their employees. They were of the opinion that, in view of the public endowment of the railways in the past, it was within the power of the Governor-in-Council to make such an order. In return they promised to extend their full assistance to the Government's manpower recruiting efforts. 18/

Thus the determination of Canadian railway wages was for the time being left in the hands of the United States Director General of railways, an incident which was to have serious adverse effects on the relations between labour and management in Canada in succeeding years.

Since the distribution of occupations and grades, differentials, working rules and forms of labour organization were similar in the United States

and Canada, and since the result of the Lane Commission's 19/ recommendations were to apply to Canada without amendment, it is important that reference be made to the findings and conclusions of the Commission. There were hundreds of classes of employments and grave inequalities in the rates of wages paid. But the Commission found the question of proper differentials difficult to resolve. Questions such as why an engine driver should be paid \$170 per month while a telegraph operator got only \$90; or what the proportionate wage of trainmen and engine servicemen should be, were left unanswered. Although consideration was given to the engine driver's greater responsibility, the determination of the extra reward that he should command was left to economic forces and his union's bargaining power. It was conceded that while in a free labour market the differentials would be established and varied by the forces of supply and demand, and perhaps in some instances custom, the emergence of the union organization as a major force in the determination of wages, would inevitably modify the powers of natural forces. There is no reference to customary relationships between the wage rates of grades or occupations, and the Commission admitted that it could find no scientific or any other method to set appropriate values on the various types of work performed.

The plight of the low paid grades of railwaymen in a period of rising price levels was emphatically brought to the fore. The wage rates which Canadian railway management had declared "fair and ample" only a few weeks previously, the Commission found totally inadequate, and its first recommendation stated that the lower grades of railwaymen, "those in which the supply of labour has been less restricted, and where organization has been difficult, if not impossible, deserve increases out of proportion to the increases for those of superior grades." 20/

Evidently the purchasing power of wages had fallen so much that the Commission placed the greatest weight on the cost of living factor. The payment of cost of living bonuses based on the British scheme 21/ was considered, but although the system was favoured for its simplicity, it was rejected because it failed to draw a distinction between those who most needed increases and those who temporarily could make some sacrifices. An estimate based on the rise in the cost of living since 1916 showed that a man with a monthly wage of \$85 would have required an increase of 40 per cent to restore his purchasing power. Since in December 1917 some 50 per cent of railwaymen were receiving less than \$75 per month, an income level at which "the opportunity for substitution and other methods of thrift decline to the vanishing point," 22/ and since 80 per cent had incomes of less than \$100 per month, substantial wage increases were required. Hence the Commission recommended advances varying from 41 per cent for the lowest paid (\$70-79 per month) gradually decreasing to 4.56 per cent for those in receipt of \$239. 23/

Neither the railways nor the unions were happy with the schedule of wage increases: the higher paid skilled workers resented the erosion of their relative economic position; and the railways were apprehensive lest the substantial narrowing of the skilled-unskilled wage differentials caused difficulties in the recruitment of skilled workers, and reduced the number of young apprentices. Railway management argued that the relatively low wage rates of the unskilled did not reflect their true standard of living. Their earnings were considerably higher, even though it meant that they had to work longer hours for them. The payment of relatively high wages to the skilled was regarded a natural consequence of the rapid expansion of the industry in a period when there was not an abundance of workers

who could meet the necessary educational and health requirements. There was no such problem with the unskilled of whom there were adequate numbers, the main sources being agricultural labour and immigrants from Eastern and South-Eastern Europe.

The Commission's recommendations were implemented in the United States under General Order No. 27 of May 25, 1918, commonly referred to as the "McAdoo Award," and in Canada by Order-in-Council P.C. 1768 dated July 16, 1918.

The Order-in-Council contained two major provisions:

- (1) that the scale of wages of railway employees as fixed by the McAdoo Award in United States territory, including any amendments or extensions thereof, be applied in Canadian territory, in so far as all lines of railway owned, operated, or controlled by the Government, are concerned;
- (2) that the wage scales of privately owned railway companies in Canada should be similarly advanced.

At the same time the Government instructed the Board of Railway Commissioners to prepare and submit to the Cabinet a schedule of increases in freight rates designed to offset the anticipated increase in labour costs. Indirectly then the Government was responsible for the increases obtained by railwaymen. It is doubtful that they would have obtained as much in increases as they actually did without government intervention. Thus the intransigence of the railway companies during a period of national crisis and rapidly rising prices resulted in the transfer of the determination of wage increases from the bargaining table to the Director General of United

States railways, the Canadian Government and the Railway War Board.

The extent to which the bargaining process had broken down is evidenced by the fact that not even the application of the McAdoo Award was left with labour and management. Rather, the matter was placed before the Railway War Board which, after consultation with all interested parties, including the government, ordered that the provisions of the Award be applied on the railways not later than August 1, 1918. It also instructed the railways not to apply the Award where its effect would have been a reduction in the existing level of earnings.

The application of the McAdoo Award had a number of very significant implications:

- 1) it gave recognition to the principle of wage parity in Canadian and United States railways;
- 2) it standardized the rates of pay for all occupations and grades of occupations throughout the railway industry;
- 3) it established the principle that whatever terms and conditions of employment are applied on United States railways will also be applied on the Canadian;
- 4) by virtue of (2) and (3) it established the basis for industry-wide bargaining; and
- 5) it gave implicit recognition to the cost of living as a criterion in the determination of wages.

In addition to the wage increases, of equal, if not greater, importance was the recognition given by the Commission to the eight-hour day principle. In his General Order No. 27 Mr. McAdoo declared:

I am convinced that no further enquiry is needed to demonstrate that the principle of the basic eight-hour day is reasonable and just, and that all further contentions about it should be set at rest by a recognition of that principle as a part of its (the Commission's) decision. Recognition of the principle of the basic eight-hour day in railroad service is, therefore, hereby made.

The Commission had found that during the month of December 1917 some 64 per cent of railway employees in the United States worked six days per week, and slightly over one-third had worked seven days. More than one-half worked ten hours per day, and about 13 per cent worked twelve hours per day. In view of the fact, however, that this was a time of war, the Commission recommended, and Director General McAdoo concurred, that it was not appropriate to order a reduction in the hours of work to eight in every line of railway work.

The introduction of the eight-hour day had been a priority item in union programmes. But management had consistently refused to consider the issue seriously, on the ostensible ground that its adoption would have created insurmountable problems in the co-ordination of railway operations. As a result, the eight-hour day had remained one of the major sources of conflict between labour and management. Hence, its recognition by the Commission, even on principle, was regarded by labour as an accomplishment of the greatest significance, both from the standpoint of the attainment of an important objective and from the standpoint of the removal of an obstacle to the betterment of labour-management relations.

It is worthy of note that the economic positions of individual railway companies were not taken into account in the application of the McAdoo Award. Because of the public endowment during the period of construction

the railways were deemed to be under an obligation to provide satisfactory public service. The fulfilment of this obligation required the employment of a competent labour force, which could be ensured only by paying wages at least equal to those commanded by comparable occupations in other industries. Hence the impoverished railways must pay the rates paid by the prosperous or cease operations as independent business units. This is precisely what happened. Private railways which could not meet their rising operating costs were absorbed by the Canadian Pacific or nationalized.

4. RELATIONS DURING THE 1920'S

In the immediate post-war period oversea demand for grains, and the run down state of the railways and factories, provided sufficient demands from the Canadian economy to sustain the wartime level of industrial activity. In spite of the increase in prices and profits, however, labour was not receiving what it regarded as a fair share of the growth in national income. 24/ Railwaymen found it most difficult to obtain increases sufficient even to maintain the purchasing power of their 1918 wages.

On April 4, 1919, by Order-in-Council P.C. 670 a Royal Commission was appointed to investigate the reasons for the widespread industrial unrest in Canada. The Commission reported that the chief reason was the continuous rise in the cost of living and the proportionately smaller rise in wages, causing hardship amongst lower paid workers. If an equilibrium, declared its report, could have been established between wages and prices, the unrest would disappear. 25/ In mid-1919 the Government appealed to labour to postpone demands for wage increases until some stabilization was achieved in the price level.

By the beginning of 1920, however, railwaymen felt that the time allowed was sufficient for any trend toward lower living costs to have shown itself and since it was generally believed that the post-war prosperity would continue, submitted demands for wage advances. Meanwhile, on July 20, 1920, the United States Railroad Labour Board 26/ announced a wage award averaging 21 per cent. Following the precedent created by the "McAdoo Award" the provisions of the new award, known as the "Chicago Award," were applied in Canada. Because the Canadian cost of living had risen by more than the United States since 1918, and because United States railwaymen had accepted the award under protest, the Canadian unions demanded higher increases than those provided in the award. It was implemented, retroactive to February 1920, only after long negotiations and the recommendation of a Board of Conciliation. 27/

It is not possible to determine whether Canadian railwaymen would have been successful in obtaining greater increases in the absence of the "Chicago Award." In June 1920 the Canadian cost of living stood at 200 (1913=100) compared with 152 in 1918, while that of the United States had risen from 166.9 in December 1918 (1913=100) to 211.3 in June 1920. Considered since 1913, however, the United States index rose by 111 per cent while the Canadian increased by 100 per cent. 28/ But with the award applied in the United States, the precedent established in 1918, and the tendency of Canadian conciliation boards to look to the past for guidance, no better terms seemed possible. 29/

To Canadian railways equalization in the rates of pay in the two countries during this period of economic expansion and labour scarcity was of advantage. The railways would have found it most difficult to prevent their

men from moving across the border if their wages were much lower than those of United States railwaymen. Perhaps the most important reason for the failure of Canadian railwaymen to obtain better terms than those provided in the "Chicago Award" was the fact that the negotiations stretched into the period when signs of an industrial slowdown began to appear on the economic horizon, and railway traffics had shown a slight downward trend.

The increases obtained in 1920 like those of 1918 were superimposed on the rates in existence in 1914, and no attempt was made to introduce a new wage structure or a revision in the grading system. This was done because it was the easiest way to grant increases in pay without thereby generating inter-union conflicts. To undertake the formulation of a new wage structure, in the light of changes in numbers and nature of occupations and skill content, and to revise the system of occupational grading, would have required the close co-operation and consent of all unions. The task of getting the consent of even the few major unions would have been insurmountable.

The factors considered in the "Chicago Award" were: wages paid for similar work in other industries; inequities consequent on previous increases to certain occupations; the effect that an increase would have on wages in other industries and on the general wage level; the relation of the level of railway wages to total railway costs; and whether any proportion of a wage increase could be, or must be transferred to the public through higher charges for passengers and goods. The United States Board, as well as Conciliation Boards in Canada, found the wages of most railwaymen substantially below those paid for similar work in outside industry, and because the cost of living had risen by more than 100 per cent since 1914, the

increases obtained to 1920 were insufficient to maintain the pre-1914 standard of living. Guided by the principle that "wage scales which are insufficient to attract or support men of the character necessary for railroad work constitute waste and extravagance and not economy," ^{30/} the tripartite United States Board awarded sufficient increases to offset the accumulated rise in the cost of living and to bring some improvement in the railwaymen's living standards.

The greater percentage increases granted to low skilled workers relative to the skilled narrowed substantially wage differentials, as the Table below shows.

Low skilled workers usually obtain greater percentage increases than skilled or semi-skilled when flat rate increases are granted, whether in the form of awards or under cost of living sliding scales. The greater percentage increases obtained by low skilled railwaymen relative to the skilled can be attributed entirely to the "McAdoo Award," which was explicitly based on the principle of giving proportionately more to the lowest paid. (Table XIV)

In periods of steeply rising price levels the tendency is for the low skilled, low paid worker to obtain greater percentage increases than the skilled, regardless of whether the method of payment involves flat rate increases or not. Two forces may be at work: first, rapidly rising prices can soon reduce a low paid worker's standard of living to one of subsistence, and second, in periods of rapid economic expansion such as that considered here, the shortage of labour makes employers' competition most active for the new entrants into the labour market and the unskilled, vacancies in higher occupations being filled by promotions.

TABLE XIV

Average Weekly Wage Rates of
Certain Occupations of Canadian Railwaymen
in 1918 and 1920, and the Percentage Increases
between 1914 and 1918 and between 1914 and 1920

<u>Occupation</u>	<u>Average Weekly Wage Rates</u>		<u>Percentage Increases</u>	
	<u>1918</u>	<u>1920</u>	<u>1918/1914</u>	<u>1920/1914</u>
	\$	\$	%	%
Engine Driver	38.40	51.21	21	61
Sectionman on Line	19.20	23.28	78	116
Section Foreman on Line	24.60	31.80	60	106
Fireman	29.13	40.84	53	115
Conductor	31.73	41.11	29	67

Sources: Canada, Department of Labour, Wages and Hours of Labour in Canada, Report No. 11, Appendix B, pp. 93-100. The "Average Weekly Wage Rates" for engine and train staff have been calculated from the "per mile" rates given in the report. On page 93 the report states that the per mile rates of engine and train staff have not increased by as great a percentage as the hourly rates of other railway occupations, the deficiency having been made up by changes in the speed of trains and in working rules which enable them to augment their earnings. An authority on transportation states, however, that the increasing speed of trains does not raise the earnings of men; it raises their leisure time. This is the result of provisions in contracts for maximum monthly mileage. McDougall, J.L., "Motor Competition and Railway Labour Costs," in The Canadian Journal of Economics and Political Science, Vol. 5, February 1939, p. 54.

The percentage advances obtained by Canadian railwaymen under the "Chicago Award" were evidently designed to partly counteract the discriminatory effect of the "McAdoo Award" on skilled grades. Reference was made

above to the fact that the regressive scale of percentage increases provided by the McAdoo Award, whose main purpose was to ensure the low paid man a "reasonable" standard of living, had caused considerable discontent amongst the skilled occupations. In November 1920 the conductors in the Canadian Pacific demanded increases equivalent to 98.53 per cent over their 1916 rates, and such percentage advances to baggagemen and brakemen as to re-establish the differentials in existence before the "McAdoo Award,"—the baggagemen's rate being 69.25 per cent of the conductors' and the brakemen's 66.50 per cent. In 1920 the baggageman's rate had risen to 76.6 per cent of the conductor's and the brakeman's 71.4 per cent. 31/

To grant the low paid workers sufficient increases to offset the accumulated rise in the cost of living since 1918, and concurrently to have re-established the differentials in existence before 1918 would have raised labour costs beyond the capacity of any railway company to absorb. On the other hand, during a period of prosperity and general scarcity of labour no wage determining body could discriminate against skilled workers as much as the "McAdoo Award" did without discouraging new entrants into the labour market from joining the industry as apprentices.

Although the increases in money wages obtained in 1918 and 1920 were substantial, the rapidly rising cost of living eroded most of their value. The actual increases in money wages obtained are shown in real terms in Table XV.

Table XIII shows that railwaymen found it exceedingly difficult to push their wages very much faster than the rising cost of living. Throughout the war the purchasing power of the railwaymen's wages remained below that of

TABLE XV

Indices of Money and Real Wages of
Canadian Railwaymen for 1914, 1918 to 1920

Year	C A N A D A (1913 = 100)		
	Wage Rates (1)	Cost of Living (2)	Real Wages (3)
1914	101.4	103	98.4
1918	158.0	162	97.5
1919	183.9	176	104.5
1920	221.0	200	110.5

Sources: (1) Department of Labour, Wages and Hours of Labour in Canada.
(2) Department of Labour, Prices in Canada and other Countries.
(3) (1) + (2).

1914, and because of the steeply rising cost of living, the effect of the "McAdoo" and "Chicago" Awards to raise real wages was substantially reduced.

In spite of the post-war difficulties of the railways in securing labour, 32/ and the steep rise in living costs, railway management complained of "extra-ordinary" increases in wage costs having been imposed on the industry by outside forces—the Government and parity of conditions with the United States. They conveyed the impression in their utterances that but for outside forces, they would never have granted advances as high as those the railwaymen actually obtained. 33/ Considering however, that the wage increases received by railwaymen to 1920 were not very much higher than the accumulated rise of the cost of living, it is doubtful whether

management would have withstood the pressure of organized labour even in the absence of Government intervention. A factor which undoubtedly influenced the amounts of wage increases in the post-war period was the anticipation that the post-war boom would continue.

Nevertheless, the settlements of 1918 and 1920 were a reflection of the strength of the unions and the bargaining power of their officers; the continuation of government control of the railway industry; the tight labour market; and the general market environment--the prevailing atmosphere being one of post-war prosperity, rising prices and considerable optimism regarding the future state of the national economy and that of the railway industry. To this optimism can be attributed the provision that the wages of Canadian railway workers should be raised to parity with those of their counterparts in the United States. It is doubtful whether such a burden would have been imposed on the railways, even by a sympathetic government, had the Chicago Award been delayed a few months, or the post-war decline in economic activity been anticipated.

A. Decline in Economic Activity and Labour-Management Conflict

In 1920 there was a sharp decline in economic activity accompanied by a pronounced fall in the cost of living in both Canada and the United States. As a consequence, by May 1921 negotiations were proceeding in the United States for reductions in wages and modifications in working conditions. Canadian railways having surrendered the determination of the wage rates paid to their employees to the United States awaited developments there before taking steps to review the 1920 agreements. 34/ As railway tonnage fell from 127.4 million in 1920 to 103.1 million in 1921,

and the number of passengers from 51.3 million to 46.8 million, 35/ management was anxious to reduce operating expenses but endeavoured to accomplish that without staff reductions.

This desire to retain as many of their skilled workers as possible during periods of decline in economic activity was motivated by the absence of specialized railway labour on the market on the upturn of business activity, and the cost entailed in training a man. It was estimated that the expense incurred by a company in replacing a worker varied, according to the required skill, between \$50 and \$500. 36/ Hence Sir Henry Thornton, President of the Canadian National Railway declared that it was of advantage to keep the men employed by the company "even if you have to pay something to do it." 37/ Because, however, the traffic on Canadian railways is much more seasonal than that of the British railways for example, Canadian railwaymen cannot hope to have the security of employment guaranteed to British railway workers.

Having failed to secure the agreement of their employees to reduce wages by the 21 per cent granted in 1920, the United States railways referred the issue to the Railroad Labour Board which, on May 31, 1921, ordered reductions varying in amounts from 5 to 18 per cent from July 1, 1921. The reduction was designed to remove about two-thirds of the increases granted to each employee in the "Chicago Award."

Immediately upon the announcement of the Board's decision the Canadian railways offered to the different classes of employees what were known as tentative agreements for signature. 38/ The agreements were "tentative" in the sense that they would have permitted the railways to withhold immediately from the wages of their employees an average of 12 per cent, pending

the completion of negotiations and the formal revision of wage scales and working rules in accordance with the provisions of the award. 39/ The unions refused to sign the agreements not only because they regarded the companies' demand as a flagrant violation of the basic principles of collective bargaining, but also because United States unions had not accepted the award and negotiations were being held. In fact, the United States unions refused to accept the award unless the Interstate Commerce Commission ordered a reduction in freight rates. The reasoning of the unions was that the Board's award was for the reduction of the 21 per cent wage increase granted in 1920. Since the increase was offset by increases in charges, if wages were to be reduced so must railway charges. 40/

From the Canadian railways' point of view, since the United States awards of 1918 and 1920 had been applied without amendment, there was no need to negotiate the application of the current one, and from July 16, 1921 they proceeded to deduct from the wages of all their employees the amounts provided in the schedule of the award. Before the application of the previous awards, however, negotiations had taken place, and in compliance with the Industrial Disputes Investigation Act of 1907, conciliation boards were appointed which recommended their adoption. The companies' action in this instance was clearly in violation of section 57 of the Act which states that "Employers and employees shall give at least thirty days' notice of an intended change affecting the conditions of employment with respect to wages and hours; and in the event of such intended change resulting in a dispute, until the dispute has been finally dealt with by a Board..., neither of these parties shall alter the conditions of employment with respect to wages and hours... ."

It is rather surprising that the unions did not seek an injunction forbidding the railways to alter the workers' rates of pay until a board of conciliation was appointed and reported to the Minister. In 1922 the railways took the same action in respect to the wages of shop employees but the unions made representations to the Government, with the result that the Prime Minister warned the railways that "the Government will not hesitate to exert its full influence and power to see that the provisions of the law governing industrial disputes are complied with by all parties." 41/ Even though the railways insisted that according to their interpretation of the Act their action was legal, the rates in effect prior to July 16, 1921, were re-established.

Because the increases granted under the "McAdoo" and "Chicago" awards were mainly determined by the rise in the cost of living, the unions did not dispute the justice of some wage reductions when the cost of living fell sharply after July 1920, but the Canadian Brotherhood of Railway Employees strongly objected to the regressive scales of the award which bore heavily on its low paid members. As applied by some of the railways, the deductions varied between 8.5 and 9.1 per cent from the wages of drivers and 18.8 to 20 per cent from those of engine cleaners, coalmen and other low skilled occupations. 42/

Thus, although no cost of living sliding scale was used in the adjustment of railway wages, in fact they followed one implicitly; and so when prices fell, the percentage reduction of wage rates was greater for the low skilled than for the skilled. Two other possible explanations can be given for this phenomenon: first, since the majority of railway employees are within the low paid groups, it is hard to reduce labour costs substantially without reductions in the labour force unless an amount is taken

from the majority that represents a high percentage of their pay; second, the low skilled railwaymen's rates of pay are more susceptible to the forces of demand and supply than those of the skilled. The state of the labour market was such that all low skilled employees could have been replaced at the rates paid less the deductions put into effect or even at lower pay. Had the employees not been organized, economic forces would have been the chief determinants of their wage rates. But because exclusive reliance on the forces of demand and supply "implies struggle with possible strikes and lockouts," legislative measures have been provided to assist in the settlement of disputes, which suggests that "some idea of fairness must be allowed to meliorate the operation of the economic law." 43/ Hence conciliation Boards recommended the adoption of scales of graded reductions providing for no more than 10 per cent deduction from the rates of the low skilled employees.

The railways asserted that the rates of their low skilled employees were equal to, or better than, those paid to unskilled labour generally. But a Conciliation Board questioned the validity of this argument on two grounds. First, a distinction must be made between unskilled permanent and unskilled transitory workers 44/—the permanent employee is more trustworthy and reliable and has some knowledge of his job; hence he should command a higher wage than the unskilled transitory worker, who seldom remains in one position for very long. Second, many low skilled railway employees were paid rates much below the average of their occupation; men within the same grade or occupation were paid different rates in different parts of the country and even within the same area—their rates being determined by the state of the labour market place by place.

A Board of Conciliation appointed on July 31, 1922 found the wages of some low paid railwaymen below the cost of family budgets submitted by various associations. 45/ It was the Board's opinion that the railways sought to reduce the wages of low paid workers by greater percentages than those of skilled because they were poorly equipped to combat any such reduction. Because the skilled grades were strongly organized since before the war, the inequities in their rates of pay were not as pronounced as those of the low skilled. This conclusion is in conflict with the explanation given by Sir Henry Thornton to the House of Commons Select Committee on National Railways and Shipping in 1924. In Sir Henry's view, since 90 per cent of railway employees were in receipt of rates of pay provided in collective agreements: if there was any criticism with regard to under-payment of any class of employees it should be directed to the unions who negotiate on their behalf rather than to the railways. 46/ (Table XVI)

TABLE XVI

Reductions in Wage Rates of Certain Occupations of
Canadian Railway Workers During the Post-War Depression,
1920 and 1924

<u>Occupation</u>	<u>Average Weekly Wage Rates</u>		<u>Percentage Decreases</u>
	<u>1920</u>	<u>1924</u>	<u>1924/1920</u>
	\$	\$	%
Engine Driver	51.21	48.26	5.8
Sectionman on Line	23.28	17.76	23.7
Section Foreman on Line	31.80	26.40	17.0
Fireman	40.84	36.84	9.8
Conductor	41.11	37.38	9.1

Sources and Notes: See Table XIV.

Although the fall in the cost of living was the chief factor which determined the degree of reductions in wage rates, the rates paid to workers in outside industry were also taken into account. A Conciliation Board declared that since everyone in the nation had been accepting lower prices for his product or labour there was no reason why railwaymen should not contribute towards the reduction of the price level. ^{47/} The chief argument was not, however, on reductions or no reductions but rather the degree of reductions. Table XVII shows that the percentage deductions from the wages of railwaymen were substantially greater than the amounts lost by other industrial workers.

TABLE XVII

Index Numbers of Wage Rates of Labour in
Steam Railways, Building Trades, Metal Trades and
Electric Railways, 1920 to 1924, (1920=100)

<u>Year</u>	<u>Steam Railways</u>	<u>Building Trades</u>	<u>Metal Trades</u>	<u>Electric Railways</u>
	(1)	(2)	(3)	(4)
1920	100.0	100.0	100.0	100.0
1921	88.7	94.3	89.2	99.0
1922	83.4	89.8	83.0	95.0
1923	84.3	92.0	83.1	95.9
1924	84.3	93.8	83.8	96.0

- (1) Twenty-three classes of workers
- (2) Eight trades
- (3) Five trades
- (4) Five classes of workers

Source: Department of Labour, Wages and Hours of Labour in Canada, 1929, 1937 and 1938, March 1939, p. 4 (converted from base year 1913)

It should be noted that the reductions in wage rates were determined almost entirely on the basis of the decrease in the cost of living index rather than on inability to pay. The fact is that the Canadian Pacific had at no time since 1911 found it difficult to pay 10 per cent to its stockholders, while the Canadian National at no time found it possible even to meet its interest charges. The C.N.R. did put forth the argument of financial incapacity as a ground for wage reductions, but the Conciliation Board "was not greatly impressed," and absolved the employees of any responsibility for the system's deficits.

In spite of the substantial reductions in rates of pay, in terms of real wages railwaymen were much better off in the midst of the post-war depression than they were at the height of post-war prosperity. It should perhaps be stressed that wages are being considered rather than earnings; for the fall in prices was accompanied by a decline in economic activity causing unemployment and short time work, and hence reduced earnings. Thus, whereas those working normally gained in purchasing power, the incomes of the majority probably fell.

Table XVIII shows that because of the greater fall of the cost of living than in money wage rates, real wages increased from 100.0 in 1920 to 110.2 in 1924.

B. Recovery in Economic Activity and the End of
United States—Canada Railway Wage Parity

The determination of Canadian railway wages by settlements concluded between United States railways and their unions or by awards of various United States Tribunals came to an end in 1924, when Canadian railways successfully resisted union demands for an increase of wages by the 5-6 per cent received by United States railwaymen. The Canadian railway companies

TABLE XVIII

Indices of Money and Real Wages of Railwaymen
During the Post-War Depression
1920 to 1924

<u>Year</u>	C A N A D A (1920=100)		
	<u>Wage Rates (1)</u>	<u>Cost of Living (2)</u>	<u>Real Wages (3)</u>
1920	100.0	100.0	100.0
1921	88.7	82.5	107.5
1922	83.4	78.0	106.9
1923	84.3	78.0	108.1
1924	84.3	76.5	110.2

Sources: (1) Department of Labour, Wages and Hours of Labour in Canada, 1937.
 (2) Department of Labour, Prices in Canada and Other Countries.
 (3) (1) + (2).

maintained that conditions between the two countries were no longer comparable and that the movement of Canadian railway wages in accordance with those of the United States was only temporary; thereafter the state of the Canadian economy was to control the level of Canadian wages. The United States had emerged from the war a creditor nation, the density of traffic was much heavier there, the climate, the level of freight rates, particularly on grains, and the cost of living were not the same in the two countries. As Sir Henry Thornton declared, however, "you cannot entirely escape from the effect of certain scales of wages across the border." 48/ Hence,

when the United States unions submitted demands for additional increases in 1926, the Brotherhood of Railway Trainmen and the Order of Railway Conductors also served notices of intent to seek revisions in wage rates and working conditions, and requested that negotiations be held collectively with all the railways rather than separately. 49/ On the basis of the same arguments as those given in 1924 the railways rejected the union demands.

To gain public support against wage increases the railways translated the demands of the two unions into a total rise in labour costs, on the assumption that all employees must receive similar increases, and declared that having to pay that total out would force them into bankruptcy unless they were allowed to raise their charges. Railwaymen have always been represented as pressing for higher benefits at the expense of the public even when the increases might have been justified.

A board of Conciliation appointed on July 17, 1926 on the employees' request advised against any increases, on the ground that no significant economic changes had taken place since 1922, when the last agreement was concluded, to warrant any change in wages. 50/ The arguments put forth by the unions such as hazards of employment, increasing responsibilities, and turns of duty away from home terminals were found no different from those naturally connected with the nature of the railway work.

The membership of the unions involved rejected the majority report and authorized their leaders to call a strike. Only a meeting between the Presidents of the two railways and the union leaders, and the announcement of an award by a Board of Arbitration in the United States prevented the

strike. Considering that United States railwaymen were already receiving rates 5-6 per cent higher, the new award providing for increases of $7\frac{1}{2}$ per cent increased the lag of the Canadian railwaymen's wages to 12-13 per cent. In recognition of "the patience of Canadian railwaymen" with the passivity of the companies who finally "felt something ought to be done for them," 51/ increases in varying amounts, averaging about 6 per cent were conceded. 52/ It is certain, however, that had the railways resolved to remain passive the Government or public opinion would have forced some concessions for neither could tolerate a railway stoppage in the middle of the Canadian winter. This was the first wage increase consequent on direct negotiations between the unions and Canadian railways, and it was to be the last until 1942.

Because their wage rates remained $6\frac{1}{2}$ per cent lower than those paid to railwaymen employed by United States companies operating in Canada and by Canadian railways operating in the United States, in 1928 railwaymen submitted additional demands designed to close the gap. The railways rejected the demands even though 1928 was the most profitable year in the Canadian Pacific Railway's history. 53/ A Board of Conciliation attempted to bring about an agreement but "neither party could be induced to yield from its position." 54/

The position of the railways was that since all agreements were the result of negotiation, the onus was upon the unions to prove that they were not fair. Because the cost of living had been the chief factor which determined the increases in 1918 and 1920 the companies insisted that it must again be regarded as such, and because it had not risen since the last increase in pay they could find no justification for additional wage

advances. The unions maintained that many of the agreements since 1918 were concluded under government pressure and they were forced to compromise and accept less than they intended, so that no level of rates established in the past could provide a satisfactory basis for comparison over time. The Board of Conciliation sustained the companies' position.

5. THE DEPRESSION AND FURTHER DETERIORATION IN LABOUR-MANAGEMENT RELATIONS

When trade activity and traffics fell sharply in 1930 the railways sought immediate reductions in wages in a most autocratic and uncompromizing manner: on September 15, 1931, they simply served notices upon employees that from October 1, 1931 to December 31, 1932 "they should accept a reduction of ten per cent in their compensation on each payroll..." 55/ The existing basic rates were to remain in force, and at the end of the period suggested the issue was to receive further consideration "unless in the meantime, arrangements should mutually be made otherwise." 56/ The demand was not subject to negotiation.

Railwaymen flatly rejected the companies' demands. Considering that all railway workers eventually conceded some deductions from their earnings and co-operated with management to reduce waste and increase efficiency in an effort to reduce operating costs, 57/ the initial opposition to deductions may be attributed partly to the anticipation that economic conditions would improve, but more to the dictatorial manner in which the companies sought to implement their wage policies.

The demands of the railways were supported by two developments: first, railway revenues fell from \$121 million in 1928 to \$37.5 million in 1931 or

by 69 58/ per cent; second, the cost of living declined sharply—from 156 in 1930 (1913=100) to 137 in 1931. So even though the principle of ability to pay was not put forth as a direct determinant of wages, the railways emphasized, and most conciliation boards agreed, that some relationship between the wages paid and the "capacity of the industry to earn" revenue is inevitable. 59/ Considerable emphasis was also placed on the cost of living which had fallen so much that even after the 10 per cent deduction demanded, the real wages of railwaymen would have remained higher than the peak (in money terms) of 1920.

The economic argument that purchasing power should be maintained as a means to recovery and that wage cuts would accentuate the depression, found its supporters and its critics. Mr. E.W. Beatty, President of the Canadian Pacific, maintained that a general decrease in prices permitted wage reductions without a decrease in the amount of commodities purchased, and reductions in wages would permit reductions in freight rates which were necessary to bring confidence in the economy. 60/ An opposite view was expressed by Mr. J.P. Hemmeon, who as a member of a Conciliation Board presented a minority report 61/ stating that wage cuts would be justified only where such cuts would stimulate employment and hence increase total wage payments; but when the intent was to reduce payments rather than to raise their volume the action would have detrimental effects on the economy.

The majority report of the Board upheld the position of the railways and recommended the implementation of the companies' demand. The railways put the deductions into effect retroactive to November 15, "pending the result of negotiations for a new wage scale." 62/ The unions protested, and the Government again reprimanded the railways for violating the Industrial Disputes Investigation Act. The issue was the legality of the

"retroactive" deductions. Section 58 of the Act states that no change shall be made in the conditions of employment respecting wages and hours until a Board has dealt with the matter and a copy of its report was delivered to the parties concerned. Under Government pressure negotiations were resumed and an agreement was concluded providing for the continuation of the deduction for the period December 1, 1931 to January 31, 1933. The agreement also stipulated that in future no retroactive implementation of recommendations by conciliation boards would be effected without mutual consent. 63/

Unions as well as management seemed to prefer percentage deductions from workers' weekly earnings rather than reductions in the rates of pay: the unions perhaps fearing that the restoration of cuts from rates would be more difficult to achieve when economic conditions improved than the discontinuance of deductions from earnings; while to the railways a certain percentage deduction from earnings provides greater relief than the same percentage reduction in rates.

As already stated, the ability to pay in terms of return to capital was not directly recognized as a wage determinant; but the ability to pay in terms of the industry's capacity to earn revenue could not be completely excluded from consideration, especially when one of the three members of any conciliation board is a representative of capital. The fact that conciliation boards rarely attempted to recommend a compromise also favoured the railways during this period. Being composed usually of members of the legal profession, who by virtue of their training tend to regard one litigant as right and the other wrong, Boards have shown the tendency to grant all or reject all.

The full significance of the machinery for dispute settlement as a factor influencing the determination of railway wages is revealed by the wage adjustments in 1933. Before the agreement of December 1931 expired, the railways notified the unions of the running trades that from March 3, 1933 they proposed to raise the deductions from their members' earnings to 20 per cent. 64/ Negotiations having failed, the railways applied for the appointment of a conciliation board, which, after three weeks of deliberations, sustained the companies' demand in a majority report, while the report of the labour nominee opposed higher deductions. 65/ The majority report justified an increase in deductions on the basis of the financial distress of the companies; "the acute shrinkage of all values including that of labour, evidenced...by the large numbers of unemployed;" 66/ and the increase in real wages consequent on the further fall in prices. The unions rested their case on the grounds that the railways deducted only 10 per cent from the earnings of their United States employees; 67/ that Federal service employees were also losing 10 per cent; 68/ and that the downward trend in railway revenues had come to an end.

Between July 1931 and July 1933 the cost of living index fell by 17 points—from 137 (1913 = 100) to 120. 69/ Over the same period the railway's operating revenue fell from \$37.5 million to \$37.1 million. 70/ From 1932 to 1933 the net operating revenue of the privately owned Canadian Pacific actually rose from \$23.8 million to \$24.7 million. 71/

Reading the majority report one cannot but conclude that its effect was to alienate rather than conciliate. Nevertheless, following their established practice the railways proceeded to withhold 20 per cent from the earnings of all employees in the running trades, in spite of the rejection of the majority report by the labour representative on the Board and

the unions.

Being unsuccessful in their efforts to secure the discontinuance of the additional 10 per cent deductions, union leaders sought the sanction of their membership to call a strike, which in spite of the atmosphere of gloom, unemployment and suffering was overwhelmingly granted. The Government could not afford any artificial addition to the existing economic gloom. A conference between the Prime Minister and both parties led to the resumption of negotiations, 72/ and on October 28, 1933 an agreement was concluded providing for the reduction of the deductions to 15 per cent effective November 1, 1933 to October 31, 1934. Surely some compromise could have been recommended by the Board of Conciliation in the first instance. The most incompetent conciliators would have arrived at some more acceptable decision if only they were impartial: an indication that partisanship tends to render the decisions of the most competent invalid for the achievement of industrial peace.

The increased deductions from the earnings of railwaymen reduced the ratio of labour costs to gross receipts and to expenditure. (Table XIX)

The reduction in labour costs was not entirely the result of deductions from the earnings of railwaymen: substantial reductions in the numbers of railway workers were effected. Capital expenditures in modernization during the prosperous years of 1924-1929, the appearance of road transport, and labour's resistance to higher deductions from earnings may be counted amongst the factors which caused the railways to seek relief through reductions in the labour force. 73/ (Table XX)

TABLE XIX

Gross Receipts, Expenditures, and Labour Costs of Canadian Railways, and Ratios of Expenses to Receipts and Labour Costs to Receipts and to Expenditures, 1929 to 1938

(in thousands of dollars)

Year	Gross Receipts (a)	Gross Expenditures (b)	Labour Costs (c)	Ratios ^x		
				b/a %	c/a %	c/b %
1929	534,106	433,077	290,733	81	49	60
1930	454,232	380,723	268,347	84	55	66
1931	358,549	321,026	229,500	90	59	65
1932	293,390	256,668	181,114	87	56	65
1933	270,278	233,133	158,326	86	54	63
1934	300,838	252,000	163,337	84	54	65
1935	310,107	263,943	172,956	85	51	60
1936	334,769	283,346	182,638	85	50	59
1937	355,103	300,653	193,558	85	50	59
1938	336,833	295,706	195,108	88	53	60

^xFigures carried to the first decimal and rounded.

Sources: Canadian Railways—The Canada Year Book, 1940, Tables 7 and 9, pp. 642-643.

A. Economic Recovery and Further Deterioration in Relations

When economic conditions began to improve and various industries were restoring wage reductions in effect during the depression, railwaymen brought pressure to bear on the railways to do the same. Between May 14 and September 15, 1934, a number of conferences took place, 74/ but the railways steadfastly held that they were not in a financial position to meet union demands for the complete restoration of the deductions. Meanwhile an agreement was concluded in the United States providing for the

TABLE XX

Employment and Labour Costs in Canadian Railways,
1929 to 1937

<u>Year</u>	<u>Employment*</u>	<u>Index of Employment</u>	<u>Total Labour Costs**</u>	<u>Index of Labour Costs</u>
	Number		\$'000	
1929	187,846	100	290,733	100
1930	174,485	93	268,347	92
1931	154,569	82	229,500	79
1932	132,678	71	181,114	62
1933	121,923	65	158,326	54
1934	127,326	68	163,337	56
1935	127,526	68	172,956	59
1936	132,781	71	182,638	63
1937	133,753	71	193,558	67

*December 31.

**Salaries and wages.

Sources: D.B.S., The Canada Year Book, 1940, Table 9, p. 643.

discontinuance of the 10 per cent deduction in three stages: $2\frac{1}{2}$ per cent on July 1, 1934; $2\frac{1}{2}$ per cent on January 1, 1935; and 5 per cent on April 1, 1935. 75/ Confronted with the developments across the border which affected their employees in the United States, Canadian railways sought to justify their opposition to any decrease in the deductions in Canada on the ground that the United States railways were enabled to restore the deductions by an emergency increase in freight rates. The fact is, however, that the increase in freight rates was to go into effect in April 1935 when the complete restoration in deductions was to be achieved, and was to expire at the end of 1936. 76/ Under the circumstances the Canadian Railways could do little but agree to partial restoration of the

deductions, which took effect on January 1, 1935 when the deduction was reduced to 12 per cent, and from April 30 to 10 per cent. 77/

On September 15-18, 1935 the leaders of 21 railway unions resolved to approach the railways jointly and demand the complete restoration of the deductions. A series of conferences brought no results, however, and the employees applied for the appointment of a Conciliation Board. 78/

The arguments of Canadian railways against the full termination of the deductions rested mainly on two factors: 79/ that their revenues had not recovered sufficiently, and that the value of money and hence the purchasing power of their employees' earnings, after the deductions, had risen to a level above that of even 1929. Both contentions were rejected by the unions on the grounds that "the ability-to-pay factor cannot, in fairness and in justice, be accepted as the determining factor when consideration is given to questions involving wage deductions," 80/ and that the price indices used in the calculation of the purchasing power of wages were constructed from "antiquated and outmoded studies." 81/

The railways pointed out that in 1936 their gross revenues were \$292 million as against \$318.8 in 1931 when the 10 per cent deductions were imposed. Since the latter revenue figure was one of the main considerations of the Board of Conciliation which recommended the deductions, it would be unwise to restore them when that figure had not yet been reached.

In the majority report the Board gave undue weight to the above figure. The fact is that a decrease in gross earnings accompanied by a correspondingly greater reduction in expenditures would restore the ability to pay. 82/ For example, by reason of the reduction in the total number of

employees and hence of labour costs, and other reductions in expenses, the net operating revenue increased from \$37.5 million in 1931 to \$51.4 million in 1936.

Nevertheless, even if ability-to-pay was fully accepted as a wage criterion, as it was not by the railwaymen, what level of net revenue should be considered as adequate before deductions imposed in a period of financial distress could properly be restored? The majority report of the Board of Conciliation declared that as long as capital does not receive an adequate return for its contribution to transportation values, "then revenues are inadequate." 83/ Undoubtedly the Board was influenced by the fact that the Canadian Pacific deferred payment of dividends in 1932, and had not resumed it when in 1936 the employees demanded the termination of deductions. Even though the railways agreed with the unions' argument that "reasonable and just compensation for the employees is a first charge on any enterprise," 84/ they, specifically the Canadian Pacific, submitted that the shareholders were entitled to some consideration before the employees claim any "further improvement" in their rates of pay. 85/ The Canadian Pacific could not press the cause of the shareholder very strongly because only 18.46 per cent of the ordinary and .46 per cent of the company's preferred stocks were held in Canada. 86/ Any transfer of income from the employees to the shareholders would have reduced purchasing power. The unions did not regard the termination of deductions as an "improvement" but rather as a discontinuance of their contribution to the revenue of the industry.

The recognition that payment to labour is a first charge on any enterprise did not weaken the railways' case because the onus for proving beyond

reasonable doubt that the wages of railwaymen were not "just and reasonable" rested with the unions. Railwaymen objected to the "just and reasonable wages" argument on three grounds. First, when considering whether an employee or class of employees are being paid just and reasonable wages, the purchasing power of their earnings rather than wages is taken into account. Second, the argument implies that if it is established that in terms of real earnings railwaymen were better off after the deductions than when they were initiated, then regardless of wage levels of other industrial workers there would be no justification to discontinue them. Thirdly, the financial ability of the railways to discontinue the deductions would not be given its due weight.

Because of the sharp decrease in the cost of living after 1930 the deductions did not impair the standard of living of railway workers. In fact Table XXI shows that their real earnings improved substantially.

TABLE XXI

Indices of Money and Real Earnings of
Canadian Railwaymen, 1929 to 1937

<u>Year</u>	<u>Average Weekly Earnings</u>	<u>Cost of Living</u>	<u>Real Weekly Earnings</u>
	(1)	(2)	(3)
1929	100.0	100.0	100.0
1930	101.0	100.0	101.0
1931	101.7	87.8	115.8
1932	94.2	80.1	117.6
1933	89.1	76.9	115.9
1934	89.6	78.2	114.6
1935	94.9	78.9	120.3
1936	95.5	80.8	118.2
1937	99.2	84.0	118.1

- Sources: (1) Calculated from the hourly earnings of "transportation" grades, D.B.S., Statistics of Steam Railways of Canada.
 (2) Converted from the Canadian cost of living index 1913=100, the 1929 index number of 156 treated as 100. Original indices from Department of Labour, Prices in Canada and Other Countries, 1940, p. 14.
 (3) $1 \div 2$

The indices used by the railways in their argument before the Conciliation Board were those published by the Department of Labour. They appear as follows:

<u>Year</u>	<u>Wage Rates (1913=100)</u>	<u>Cost of Living (1913=100)</u>	<u>Real Wage Rates</u>
	(1)	(2)	(3) = (1) \div (2)
1929	204.3	156	131
1931	199.2	137	145
1933	179.7	120	150
1934	173.7	122	142
1935	183.9	123	150
1936	183.9	126	146
1937	196.1	131	150

- Sources: (1) Department of Labour, Wages and Hours of Labour in Canada.
 (2) Department of Labour, Prices in Canada and Other Countries.

In the course of the Conciliation Board's hearings the railways renewed a proposal made by them in 1934 for terminating the deductions as gross revenues rose. The scheme provided for:

- (a) the unconditional reduction of the 10 per cent deduction to 9 per cent from February 1, 1937, 8 per cent from August 1, 1937 and to 7 per cent not later than November 1, 1937; and
- (b) reductions to be made on the basis of $\frac{1}{2}$ per cent of the deductions for every \$7,500,000 increase in the combined gross operating revenues of the railways over the total of 1935 (\$273 million). The latter was not, however, to be in addition to the unconditional percentage reductions; but if it amounted to more than one per cent then it was to be put into effect instead of the fixed amount.

It is clear from the proposal that the railways were most anxious to make the ability to pay the main criterion in the determination of their employees' wages. Even though the trend was towards improvements in revenues, it is estimated that under the plan complete termination of the deductions would not have taken place until sometime in 1941. 87/ The employees flatly rejected the proposal not only because of the indefiniteness of complete restoration entailed in the synchronization of changes in earnings and railway revenues, but also perhaps because acceptance of the plan would have meant recognition on their part of ability to pay as a major determinant of their wages, with the possibility that the deductions would have become permanent if revenues did not recover fully.

Considering that the union spokesmen left little doubt that under no circumstances would they consent to such a scheme, it is most surprising

that the majority report of the Board recommended the application of the companies' proposal. 88/ As anticipated, upon the issuance of the report the negotiating committee of the unions sought the sanction of the membership to call a strike, which was given overwhelmingly. Thereupon the Government stepped in and urged the companies to resume negotiations. 89/

Negotiations were resumed only to be suspended again because the companies refused to withdraw their proposal. On March 26 the parties were called to Ottawa, and although what went on has not been revealed, it is quite likely that the Government impressed upon the companies that a stoppage would not be tolerated. Within two days of the meeting with the Government a settlement was reached providing for the full restoration of the deductions by April 1, 1938 regardless of the state of railway revenues. The discontinuance was to take effect in eight installments as follows: 90/

<u>Date Effective</u>	<u>Amount of Deduction</u>
February 1, 1937	9 per cent
April 1, 1937	8 per cent
June 1, 1937	7 per cent
August 1, 1937	6 per cent
October 1, 1937	5 per cent
December 1, 1937	4 per cent
February 1, 1938	2 per cent
April 1, 1938	0 per cent

Since the railways had unequivocally declared in January that they would not guarantee termination of the deductions without relation to their revenues, 91/ the agreement of March incorporating quite opposite terms of restoration can be attributed to Government pressure.

From the foregoing examination of the factors bearing on the determination of railway wages one can derive the conclusion that the cost of

living was the chief determinant in both the upward and downward movement of wages. To the union organization one can perhaps attribute the time when the increases took place rather than their size. But the time in 1920 was so close to the downturn in economic activity that had the unions not pressed for increases, railwaymen would not have obtained any after the latter part of 1920. Part of the increases was due to the Government's decision to bear at least part of the higher cost of transportation, and to permit the transfer of the other part to the users. The ability-to-pay was not a sole determinant, but definitely acted as a deterrent or at least an impediment to advance.

REFERENCES

- 1/ See changes in rates of individual occupations between 1901 and 1927 in the Department of Labour, Wages and Hours of Labour in Canada. The 1927 issue published as a supplement to the January 1928 issue of The Labour Gazette contains an appendix with a summary of some notes on the period 1901-1927.
- 2/ For a brief account of Canada's economic development during this period see Currie, A.W., Canadian Economic Development, pp. 342-362; Innis, H.A., Essays in Canadian Economic History, M.Q. Innis (ed.), pp. 185-187.
- 3/ The railways had "colonization" offices in many European capitals with a head office in London. Their main purpose was to attract immigrants so that they could sell land, but it is quite possible that qualified railwaymen were also induced to go.
- 4/ Based on the monthly reports published in The Labour Gazette.
- 5/ The Canadian Northern and Grand Trunk Pacific.
- 6/ Currie, A.W. The Grand Trunk Railway of Canada, pp. 344-345. (Quoting the President of the company); and Walker, H.J., "Prairie Assignment", The Labour Gazette, September 1950, p. 1488.
- 7/ "Industrial and Labour Conditions in Canada During 1914," The Labour Gazette, January 1915, p. 802.
- 8/ Ibid., p. 804.
- 9/ Board of Conciliation (Majority Report, Judge R.D. Gunn, Chairman) on a dispute between the Grand Trunk Railway Company and its maintenance of way employees, The Labour Gazette, November 1916, p. 1740.
- 10/ Ibid., p. 1748.
- 11/ Report of a Board of Conciliation on dispute between the C.P.R. and its employees, The Labour Gazette, March 1918, p. 182.
- 12/ The question of "free trip passes" was examined by the Royal Commission on Railways and Transportation in 1931-2, which found that the number of passes issued by Canadian railways to their employees was "not out of line with United States practice, and...less generous than the British practice." (Report p. 46) On the other hand, Canadian railway employees enjoyed "long service annuals" to which there was no counterpart in British railways. The Canadian railways were required by legislation to provide free transportation to members of the Federal and Provincial legislatures and to their dependents. So it appears that in return for cash and land subsidies voted to the railways, the parliamentarians voted some privileges for themselves. Neither in the United States nor in Great Britain have members of the legislative

houses mustered sufficient courage to bestow on themselves such conveniences at the expense of business enterprises, railway employees and railway owners.

- 13/ Order of Railway Conductors and the Brotherhood of Railroad Trainmen.
- 14/ Department of Labour cost-of-living index.
- 15/ The United States Government had assumed control of the major railways for the duration of the war.
- 16/ The agreement between the railways and the Government is set out in the preamble of the Order-in-Council P.C. 1768 of July 16, 1918 enforcing the "McAdoo Award." See also the Twenty-Five-Per cent Case, (1918)8 J.O.R.R. of the Board of Railway Commissioners for Canada, p. 290, giving the reasons for granting a 25% increase in charges to offset the increase in wages.
- 17/ Report of a Board of Conciliation, (T.G. Mathers, Chairman) on a dispute between the C.P.R. and certain of its employees, (conductors, baggagemen, brakemen and yardmen members of the Order of Railway Conductors and the Brotherhood of Railroad Trainmen). The Labour Gazette, March 1918, p. 183.
- 18/ See Dominion Parliament, Sessional Paper No. 78, 1918, p. 5. Currie, A.W., in Economics of Canadian Transportation, notes on pp. 686-7, and Jackman, W.T., in Economic Principles of Transportation, p. 263 suggest that the Government ordered the Canadian National to apply the McAdoo award and advised the other railways to do likewise. The preamble of the Order-in-Council suggests, however, that all railways took part in the agreement.
- 19/ Named after its chairman, United States Secretary of the Interior, F.K. Lane.
- 20/ Report of the Railroad Wage Commission to Director General McAdoo, April 30, 1918. The Labour Gazette, June 1918, p. 422.
- 21/ Wage rates above a certain minimum were made subject to increase or decrease of one shilling for every advance or decline of 5 points in the cost of living index.
- 22/ Ibid., p. 423.
- 23/ The percentage increases to be calculated on the basis of the December 1915 rates, and made retroactive to January 1, 1918.
- 24/ See an address by W.L. Mackenzie King before the Empire Club of Canada on March 3, 1919 entitled "The Four Parties to Industry."
- 25/ Royal Commission on Industrial Relations, Report, July 1919, paragraph 37, p. 8.

- 26/ A tripartite body of nine members, three each from employers, employees and the public.
- 27/ Mr. Justice T.G. Mathers, Chairman. The Labour Gazette, November 1920, pp. 1437-1445.
- 28/ Department of Labour, Prices in Canada and Other Countries, Annual Report.
- 29/ The Conciliation Board Report in October 1920 declared that "while this award is not entirely satisfactory either in the United States or Canada, it has been accepted in the former under protest...", hence it recommended that the award be applied in Canada. Report, The Labour Gazette, November 1920, p. 1442.
- 30/ United States Railroad Labour Board, Report, published in The Labour Gazette, August 1920, p. 1071.
- 31/ Report of a Board of Conciliation, The Labour Gazette, November 1920, pp. 1437-1445. These percentage calculations are based on the monthly rates given for these occupations in the Department of Labour, Wages and Hours of Labour in Canada.
- 32/ Department of Railways and Canals, Annual Report, 1922, p. 22; Canadian Pacific Railway Company, Annual Report, 1921, pp. 8-9.
- 33/ Canadian Pacific Railway Company, Annual Report, 1919, p. 8; 1920, p. 6; 1921, pp. 5-6. In the 1921 Report Mr. Beatty declared that the "Chicago Award" might have been justified because of the "abnormal increase in the cost of living," but criticized the changes in working conditions as being burdensome.
- 34/ The President of the C.P.R. declared, "What is accomplished there will undoubtedly reflect on the rates of pay and working conditions in Canada." Annual Report, 1921, p. 6.
- 35/ Dominion Bureau of Statistics (D.B.S.), Statistics of Steam Railways of Canada, Annual Report. The sharp fall in freight tonnage was caused partly by crop failure in Western Canada. C.P.R. Annual Report, 1921, p. 6.
- 36/ A study done by the Metropolitan Life Insurance Company quoted by Sir Henry Thornton before the House of Commons Select Committee on National Railways and Shipping, Minutes of Proceedings and Evidence, Journals of the House of Commons, February-June Session, 1925, Appendix 2, p. 140.
- 37/ Ibid., p. 140.
- 38/ Report of a Board of Conciliation, (Mr. Justice F.S. MacLennan, Chairman) The Labour Gazette, November 1921, p. 1356.
- 39/ The Labour Gazette, November 1921, pp. 1354-1358.

- 40/ The Labour Gazette, November 1921, pp. 1387-1389.
- 41/ See letters exchanged on the issue between the Government and the railways in The Labour Gazette, August 1922, pp. 852-857.
- 42/ Report of a Board of Conciliation, (B. Stauffer, Chairman) The Labour Gazette, December 1921, p. 1470.
- 43/ Report of a Board of Conciliation, The Labour Gazette, December 1921, p. 1471.
- 44/ Such a distinction was made by a Board of Conciliation in 1921. See majority report dated November 8, 1921, The Labour Gazette, December 1921, p. 1471.
- 45/ Conciliation Board Report of October 18, 1922, The Labour Gazette, November 1922, p. 1161.
- 46/ Minutes of Proceedings and Evidence, Journals of the House of Commons, February-July Session 1924, Appendix 5, p. 263.
- 47/ Report of a Board of Conciliation dated November 8, 1921, in The Labour Gazette, December 1921, p. 1470.
- 48/ House of Commons Select Committee on Railways, Proceedings and Evidence, Journals of the House of Commons, December-April Session, 1926-1927, Appendix No. I, p. 21.
- 49/ For some unexplained reason negotiations proceeded separately. There is evidence, however, that the railways were continually in consultation. Sir Henry Thornton's Evidence to the Committee. Ibid.
- 50/ Majority Report dated October 26, 1926 (Mr. Justice Hugh T. Kelly, Chairman) in The Labour Gazette, November 1926, pp. 1058-1072. An agreement concluded in 1922 provided that the rates of 1920 less the 12 per cent deduction of 1921 be made permanent.
- 51/ Sir Henry Thornton before the Select Committee on Railways, Proceedings and Evidence, Journals of the House of Commons, December-April Session, 1926-1927, Appendix No. I, p. 22.
- 52/ The Labour Gazette, December 1926, p. 1188.
- 53/ Canadian Pacific Railway, Annual Report, 1928, p. 6.
- 54/ Report of a Board of Conciliation, The Labour Gazette, October 1929, p. 1083.
- 55/ Report of a Board of Conciliation (Mr. J.M. Macdonnell, Chairman), The Labour Gazette, December 1931, p. 1293.
- 56/ Ibid. Perhaps the railways acted as they did because their demands were not unexpected. On May 6, 1931 the President of the Canadian

Pacific announced that the salaries of the office staff had been cut by 10 per cent and similar deductions were accepted by all executive officers. The Labour Gazette, May 1934, p. 524.

- 57/ Canadian railwaymen not only co-operated with management to increase efficiency, but also formed a "ship-by-rail" association whose purpose was to impress upon the public the importance of railway transportation to Canada, to ensure that all employees provided a satisfactory service, and to press Provincial Governments into introducing "uniform regulations governing truck and bus transportation, in order to protect the railways from any unfair competition." The Labour Gazette, December 1931, pp. 1280-1281.
- 58/ D.B.S., Statistics of Steam Railways in Canada, 1933, pp. 14-15.
- 59/ Board of Conciliation Report, The Labour Gazette, December 1931, p. 1295.
- 60/ Canadian Pacific Railway, Annual Report 1931, p. 6.
- 61/ The Labour Gazette, December 1931, p. 1300.
- 62/ The Labour Gazette, February 1932, p. 124.
- 63/ The deductions made during the second half of November were to be refunded. The Labour Gazette, February 1932, pp. 124-125.
- 64/ The Labour Gazette, February 1933, p. 226.
- 65/ Conciliation Board Reports (Mr. Justice G.F. Gibson, Chairman), The Labour Gazette, May 1933, pp. 478-494.
- 66/ Ibid., p. 480.
- 67/ This has been attributed to the efforts of the United States to raise wages and prices as expressed in the National Industry Recovery Act. See Rountree, G.M., The Railway Worker, p. 59.
- 68/ Since Canadian National Railway employees regarded themselves as civil servants, they maintained that they should not be discriminated against.
- 69/ Department of Labour, Prices in Canada and Other Countries, 1936, pp. 14-15.
- 70/ D.B.S., Statistics of Steam Railways of Canada, 1933, pp. 13-14.
- 71/ D.B.S., Statistics of Steam Railways of Canada, 1932, pp. 66-67, and 1933, pp. 64-65.
- 72/ Text of the Prime Minister's statement in The Labour Gazette, October 1933, pp. 978-979.

- 73/ Rowntree, G.M., The Railway Worker, pp. 286-287.
- 74/ Seventeen major railway unions formed a joint negotiating committee for the purpose of taking united action. Board of Conciliation, Minority Report, February 1, 1937, The Labour Gazette, February 1937, p. 149.
- 75/ The Labour Gazette, November 1934, pp. 991-992.
- 76/ Board of Conciliation, Minority Report, February 1, 1937, The Labour Gazette, February 1937, p. 149.
- 77/ C.P.R. Annual Report, 1934, p. 7.
- 78/ The Labour Gazette, October 1936, p. 858 and p. 860.
- 79/ The arguments of both parties are set out in the majority and minority reports of a Board of Conciliation (Mr. Justice A.K. MacLean, Chairman) dated January 30 and February 1, 1937 in The Labour Gazette, February 1937, pp. 133-158.
- 80/ Minority Report, The Labour Gazette, February 1937, p. 151.
- 81/ Ibid., p. 149.
- 82/ The Majority report attached considerable significance to these figures. The Labour Gazette, February, 1937, p. 141. The signatories of the report did not consider, however, that the total number of employees in 1931 was 154,569, while in 1936 it had fallen to 132,781. D.B.S., Annual Census of Manufacturing and Certain Other Industries in Canada, 1938.
- 83/ Majority Report, The Labour Gazette, February 1937, p. 141.
- 84/ Minority Report, The Labour Gazette, February 1937, p. 151.
- 85/ Ibid., p. 151.
- 86/ C.P.R. Annual Report, 1933, p. 10.
- 87/ Currie, A.W., Economics of Transportation in Canada, p. 403.
- 88/ The minority report recommended that the 10% deduction be terminated during 1937 in four instalments: 4% on February 1, and 2% on each May 1, August 1, and November 1. The suggestion was also made that the 4% restoration be made first and then the parties could negotiate the other terminations. The Labour Gazette, February 1937, p. 157.
- 89/ Direct negotiations during the hearings of the Conciliation Board were broken off by the railways, because the unions had insisted on the termination of the deductions regardless of the state of railway revenues. See Majority Report, The Labour Gazette, February 1937, p. 144.

90/ The Labour Gazette, April 1937, p. 401.

91/ Board of Conciliation, Majority Report, The Labour Gazette, February 1937, p. 144.

CHAPTER IV

LABOUR-MANAGEMENT RELATIONS DURING AND IMMEDIATELY AFTER WORLD WAR TWO

1. INTRODUCTION—WARTIME MEASURES FOR PRICE AND WAGE STABILIZATION

When Canada declared war on Germany the nation was still uncertainly emerging from the depression. There still were substantial surpluses in foodstuffs, materials and labour 1/ so that there was no immediate need for emergency measures to counteract possible pressures on the wage and price levels. However, some precautionary measures were put into effect. 2/

By late 1940 Canada's economic position changed quite significantly. Extensive construction projects for war purposes, expansion in shipbuilding, increasing demands for foodstuffs from Britain, and recruitment for the armed forces turned a state of plenty into shortages causing strong pressures on the price and wage levels. Competitive bidding for skilled workers, pressures by unions for increases in rates of pay, and a number of recommendations by Conciliation Boards involving wage increases which were "somewhat inconsistent" 3/ with the wartime effort, forced the Government's Labour Co-ordinating Committee to recommend stronger measures to control the movement of wages. 4/

On December 16, 1940, the Government enunciated a wartime wage policy. 5/ Boards of Conciliation and Arbitration were instructed to regard the highest wage rates paid between 1926 and December 16, 1940, as generally fair and reasonable for the duration of the war, and to allow for increases in cases where wages were depressed to subnormal levels during the period, and on the basis of a rise in the cost of living index. 6/

Because the Order in Council, P.C. 7440, was in the form of an instruction to Conciliation Boards, its application encountered unanticipated difficulties. Many unions sought to establish that the rates of their members were exempt from the regulation because they were subnormal during the base period, and a number of Conciliation Boards failed to apply the Order on the ground that the standard of living of the workers involved had not been impaired by the rise in the cost of living.

On October 24, 1941, another Order in Council was issued 7/ stabilizing wage rates at their levels in November 15, 1941—after that date "no employer shall increase the basic scale of wage rates paid by him," 8/ except by approval of the National War Labour Board. 9/ In determining the need for an increase in basic rates the Board was to consider the rates prevailing for similar occupations in the locality. The payment of a cost of living bonus provided for in P.C. 7440 was retained and made mandatory. 10/ Provision was made, however, for exemption from payment of the bonus on the ground of inability to pay subject to the authorization of the National Board. To prevent competitive bidding for labour, the Board was also empowered to order deferment of the bonus if it found that an employer's basic scale of rates was raised above the rates paid for comparable occupations in the locality. 11/

Under the new Order in Council the Government committed itself to permit wage increases if its price control policy failed. 12/ The bonus system was favoured by the Government not only because it ensured the wage earner stability in real income, but also because it strengthened the arm of the Prices Board by giving it "a strong weapon against those who sought price increases," 13/ the argument being that an increase in prices would raise the cost of living which would lead directly to an increase in wages.

Between October 1941 and July 1942 the cost of living index rose by 2.4 points, from 114.6 (August 1939=100) to 117, 14/ causing a bonus of 60 cents per week to be given to all wage earners. By November 1, the index rose by another 0.7 points and another bonus of 25 cents became imminent. It was evident that as long as the tie between wages and prices of foods continued, the pressure on the price level would persist. Upon the advice of the Prices Board the Government undertook the subsidization of some more important foodstuffs. The result was a slight decrease in the index, remaining below 117 to April 1943, at an annual cost to the National Treasury of about \$25 million. 15/ By November 1943, however, the index rose again, leading to another bonus of 35 cents per week. Whereupon the Government ordered the discontinuance of bonus payments 16/ with the provision that if the cost of living rose by more than 3 per cent and remained at that level for two consecutive months, the whole price and wage programme would be re-examined. Employers were instructed to incorporate the accumulated bonus (95 cents per week) into the basic wage rates. 17/ Thereafter wage increases could be authorized only in instances where gross injustices existed and where it could be proven that such an advance would not bring about a rise in the price of the product. 18/ The Federal wage

controls (P.C. 9384 and Amendment, P.C. 1727) remained in force until December 1946.

2. THE ECONOMIC POSITION OF THE RAILWAYS DURING AND AFTER THE WAR

Canada's excess railway mileage in 1939 proved a most valuable asset during the war. In addition to the expansion of war traffics, the war at sea, shortages of gasoline and tires, and the interruption in production of trucks for private sale diverted much traffic to the railways. The railways were caught by the war in an unprepared state, because of shortage of rolling stock and outdated machinery and equipment consequent on the postponement of maintenance and modernization during the depression. 19/

The difficulties experienced with depreciated equipment were accentuated by the employment of inexperienced staff: although employees released from employment during the depression were re-employed, because very few new recruits had been taken for a whole decade before the war, there was an acute shortage of men trained in railway work. Table XXII shows that between 1939 and 1944 railway traffics almost doubled, yet the number of employees rose by only 51 per cent. 20/ Even this increase in staff, was made possible by retaining men beyond retiring age, recalling retired skilled railwaymen, and by replacing more experienced men whenever possible with women and boys, and posting them to more responsible positions. The effect of all technical and other disadvantages was offset only by the determination, efficiency and devotion of the regular force of railwaymen.

The commencement of the war eliminated the financial problems of the Canadian railways (Table XXIII). The Canadian National, which in the

TABLE XXII

Employment and Goods Traffics in
Canadian Railways, 1939 to 1947

<u>Year</u>	<u>Employees*</u> <u>(number)</u>	<u>Index of</u> <u>Employment</u>	<u>Total Goods</u> <u>Traffic</u> <u>(millions of tons)</u>
1939	125,967	100	107.5
1940	135,700	117	125.2
1941	148,746	128	151.7
1942	157,740	136	173.4
1943	169,663	146	195.8
1944	175,095	151	197.7
1945	180,603	156	188.4
1946	180,383	156	180.0
1947	184,415	159	198.4

* The figures include employees from "outside" operations, who number between 2 and 6 per cent.

Sources: Employment—D.B.S., The Canada Year Book, 1951, p. 723.

Traffics —Dominion Bureau of Statistics, Statistics of Steam Railways of Canada, 1939, pp. 22-23; 1944, p. 14; 1949, p. 12.

period 1935-1940 had accumulated a deficit of \$244 million, in the years 1941-5 met all its interest charges, made provisions for reserves and accumulated a surplus of \$112.5 million. The Canadian Pacific resumed payment of dividends, reduced its funded debt from \$237.9 million in 1939 to \$75.3 million in 1947, and raised its accumulated surplus from \$144 million in 1940 to \$279.1 million in 1947. 21/

The significant improvement in railway finances during the war was achieved almost entirely through increased volume of traffic, since railway

TABLE XXIII

Revenues* and Expenditures of Canadian Railways, 1939 to 1958

(millions of dollars)

<u>Year</u>	<u>Canadian National</u>			<u>Net Revenue after Fixed Charges</u>	<u>Canadian Pacific</u>			<u>Net Revenue after Fixed Charges</u>
	<u>Operat. Revenue</u>	<u>Operat. Expenses</u>	<u>Net Revenue</u>		<u>Operat. Revenue</u>	<u>Operat. Expenses</u>	<u>Net Revenue</u>	
1939	203.8	183.0	20.8	Deficit	159.9	124.6	35.3	9.8
1940	247.5	202.5	45.0	"	182.1	136.5	45.6	20.1
1941	304.4	237.8	66.6	5.4	234.6	168.9	65.7	34.4
1942	375.7	289.0	86.7	27.3	272.3	195.4	76.9	40.3
1943	440.6	324.5	116.1	35.7	314.3	229.5	84.8	43.0
1944	441.1	362.5	78.6	23.0	337.1	266.8	70.3	34.7
1945	433.8	355.3	78.5	24.5	335.6	274.4	61.2	31.6
1946	400.6	357.2	43.3	Deficit	314.5	273.0	41.5	25.1
1947	438.1	397.1	41.4	"	343.3	300.0	43.3	31.9
1948	491.3	464.7	26.5	"	380.0	350.5	29.5	27.4
1949	500.7	478.5	22.2	"	389.8	358.8	31.0	29.7
1950	553.8	494.0	59.8	"	405.9	349.3	56.6	47.9
1951	624.8	580.2	44.7	"	460.4	410.4	49.9	43.3
1952	675.2	634.9	40.4	.3	493.0	438.3	54.6	39.1
1953	696.6	659.0	37.6	Deficit	509.3	456.7	52.7	31.4
1954	640.6	626.5	14.2	"	461.0	411.5	49.5	29.8
1955	683.1	629.0	54.1	10.5	488.3	419.7	68.5	44.0
1956	774.8	728.0	46.8	25.8	548.5	505.6	42.9	55.6
1957	753.2	755.2	-2.0	Deficit	530.4	491.0	39.4	46.8
1958	704.9	719.2	-14.3	"	511.2	473.2	38.0	32.9

* Included gross of news, express and commercial communications throughout. From 1956 includes highway transport (rail) operations.

Sources: D.B.S., Canadian Pacific Railway (Revenues, Expenditures, etc.) 1958, pp. 10-11.
D.B.S., Canadian National Railway, (Revenues, Expenditures, etc.) 1958, pp. 8-9.

charges like prices generally were frozen at their 1941 level. In the immediate post-war period the pre-war situation began to re-appear: the lifting of price and wage controls brought about a steep rise in costs of materials, and railwaymen pressed for and obtained substantial increases in wages; motor vehicles, which were not produced for civilian use during the war, and water competition re-appeared; railway machinery, plant and equipment had deteriorated from the heavy wartime use and hence the standard of service was much below pre-war years—an important disadvantage when competing with new and more efficient post-war road vehicles. To meet their steeply rising costs of operation and afford the capital expenditure required to raise the efficiency of the two systems to competitive levels, in 1946 the railways sought authorization from the Board of Transport Commissioners for Canada to raise their charges by 30 per cent. There had been no general increase in freight rates since 1920, yet the application was so aggressively contested by traders and the Prairie and Maritime provinces, that no decision was made until April 1948. 22/

By this time the unions, which had obtained 10 cents per hour increase in wages in 1946, were ready with another demand for wage increases. After long negotiations, reports of Boards of Conciliation, strike threat, and Government intervention, which will be examined below, an "eleventh hour" settlement was concluded granting increases of 17 cents an hour retroactive to March 1, 1948. Thus the benefit of the freight rate increases was transferred to labour; whereupon on July 27, 1948, the railways made another application for a further rise in rates by 20 per cent. Thus began the cycle of increases in wages and charges, which continued with monotonous regularity.

An increase in railway costs, specifically those of the Canadian Pacific, was recognized by the Board of Transport Commissioners as a basis for increases in charges, but competition for the traffics bearing "normal" rates prevented the railways from enjoying the full benefit of the substantial rate increases authorized after 1948. In their battle against rising costs the railways were facing another problem, which was rooted in the procedure followed in obtaining rate increases: the provision for appeal to the Governor in Council from decisions of the Board of Transport Commissioners, which was invoked after every authorization to raise rates, was the cause of considerable delay in putting into effect the higher rates, depriving the railways of substantial revenue.

This problem, and the question of rates for the conveyance of grains and grain products, which were fixed in 1897 under The Crow's Nest Pass Agreement, were within the province of the Federal Government; their existence may have been justified on economic and political grounds, but the railways faced rising costs of materials over which they had no control, and because of increasing living costs and wages generally, pressure from their employees for wage advances which also had to be met. The post-war construction of super highways from coast to coast, the expansion of air traffics, and the opening of the St. Lawrence Seaway raised formidable obstacles to the return of railway prosperity; it became imperative, therefore, more so than at any time in the past, that artificial obstacles created more than half a century ago, and founded on grounds that no longer existed, be eliminated.

3. ADJUSTMENTS OF WAGES DURING THE WAR

On the basis of the agreement of 1936 between the railways and the unions, by 1938 the deductions from the earnings of railwaymen initiated in 1931 were terminated. No changes in wage rates were effected thereafter until 1941.

Between 1938 and late 1940 the railways resisted union pressures to raise basic rates of pay, and as late as May 1941 refused to even grant the cost of living bonus provided for in Order in Council, P.C. 7440 of December 16, 1940. The question arose whether the Order in Council provided for the payment of a cost of living bonus to all workers, as the employees claimed, or only to those whose standard of living had been impaired, as the railways maintained. In a typical case of administrative bungling the Minister of Labour appointed a Board of Conciliation to resolve the dispute, whereas all he need have done was to declare that the bonus had to be paid. His consent to the appointment of a Board gave the railways cause to state, and to the majority of the Board to concur, that if their interpretation of the Order had been wrong the Minister would not have appointed the Board, for no dispute would have existed. 23/

Railway operations were quite profitable; hence the railways could not claim inability to pay. But when there is unwillingness to pay there is little hesitation on the part of the employers to put forth the most extraordinarily absurd arguments. The Canadian National spokesman declared that for the first time in many years the company had informed the Government that it hoped not to make any demands on the National Treasury in 1941 to meet its fixed charges; if the bonus was to be paid that promise

could not be kept, and the rise in operating costs by an estimated \$6,700,000 would fall on the National Treasury. 24/ The Canadian Pacific also exploited the wartime burden on the National Treasury: since the company's profits were subject to Excess Profits Tax, its spokesman asserted that an increase in operating costs would reduce proportionately the tax payable to the Dominion; directly or indirectly then, the burden would fall upon the Dominion Treasury. 25/ If this argument is to be taken seriously, then any company subject to corporation income tax could claim that any increase in wages would affect the Government's tax revenue, inviting direct Government participation in the determination of wages and costs generally since it has a direct interest in the sharing of profits.

Railwaymen had a strong case for some increase in wages: between 1938 and 1940, before wage stabilization went into effect, other industrial workers had obtained various increases in wage rates; the cost of living had risen substantially; and the efforts and responsibilities of railwaymen had increased. In 1942, for instance, the number of employees of the Canadian Pacific was the same as 25 years earlier, but the system had in operation 3000 more miles and its traffic was 50 per cent greater. 26/

The Board of Conciliation concurred with the railways' interpretation of Order in Council, P.C. 7440 and in a Majority Report recommended the granting of a cost of living bonus to the low paid workers only, those whose standard of living had in fact been drastically affected by the rise in the cost of living—\$1.93 per week to all full time employees whose weekly earnings did not average more than \$25.00, and to those whose earnings averaged between \$25.00 and \$26.93 such amounts as would raise their wage to the latter figure. Only between 34 and 39.9 per cent of the

employees would have benefited from the decision. The earnings of railwaymen for the year ending December 31, 1939 were as follows: 27/

					<u>No. of Employees</u>	<u>Per Cent of Total</u>
Between \$ 55	and	\$ 65	per month		8,305	7.2
" 66	"	75	" "		199	0.2
" 76	"	85	" "		2,894	2.5
" 86	"	100	" "		27,914	24.1
" 101	"	110	" "		6,852	5.9
" 111	"	125	" "		4,005	3.5
" 126	"	150	" "		34,031	29.3
" 151	"	200	" "		19,141	16.5
" 201	"	250	" "		7,471	6.4
Over	250		" "		5,155	4.4

The wide variation in earnings amongst railwaymen shown here is not unexpected, considering the large number of occupations employed by the industry. What is startling, and hardly a credit to the industry, however, is the large number of poorly paid workers. 28/ On July 2, 1941 the Minister of Labour rejected the majority report of the Board of Conciliation, explaining that if he allowed it to stand widespread unrest would ensue not only among railwaymen but also from other workers. The outcome of the proceedings was a declaration by the Government (Order in Council P.C. 8253) that the cost of living bonus was to be granted to all workers, and the establishment of the National War Labour Board. 29/ It was already stated that the appointment of this Board reflected on the Minister's competence; whereas the Board's recommendation reflected on the competence and partiality of the signatories of the report.

Between 1941 and 1944 railwaymen, in common with other industrial workers, obtained weekly cost of living bonuses as follows: 30/ from June 1, 1941, \$1.93; from September 1, 1941, \$2.75; from November 15, 1941, \$3.65;

from August 15, 1942, \$4.25; and from November 15, 1943, \$4.60. In 1944, on the recommendation of the National War Labour Board, cost of living bonus payments were discontinued, and the accumulated bonuses were incorporated into the basic rates of pay.

Labour organizations had criticized the cost of living bonus system as not compensating adequately for the rise in prices. The General Committee of the 18 railway non-operating unions had asserted that the Wartime Prices and Trade Board has been instructed to "control the index" rather than the cost of living. 31/ The actual reasons for opposition to the cost of living bonus system can be ascribed, however, to the fact that overtime rates of pay were calculated from the basic rates, and as long as wage increases were based exclusively on the cost of living other factors, such as increased productivity, rates prevailing in other industries, greater responsibilities and hazards consequent on the transportation of explosives were not taken into account.

As soon as the cost of living bonus system was removed railwaymen applied to the National War Labour Board to order the equalization of their basic rates of pay with those paid for comparable services in the Eastern United States. 32/ In determining increases in rates of pay the Board was required to make comparisons with wage rates paid for similar jobs, positions and occupational classifications. 33/ The unions alleged that "there existed unfair and unjust disparities" 34/ between railway wages and rates paid to other industrial workers, but the comparative data presented to the Board were limited to comparisons with United States railway wages.

A comparative study of the wage rates received just prior to the war by all grades of railway workers with the rates paid to employees of "a large and representative group of industrial and other establishments in all parts of Canada", 35/ undertaken by the Board, showed that the wage increases obtained by railway employees were smaller than those granted to employees in other industries, and that the wages paid to some grades of railway workers at the commencement of the war were low when compared with similar grades in other industries. Some railway workers commanded higher wages than other industrial workers but the Board explained that "a higher degree of skill is generally required for the employees in the railway service." 36/ The Board ordered an increase of 6 cents an hour to all railwaymen retroactive to September 15, 1943.

The wage rates in effect in July 1944 remained through 1945 and down to the summer of 1946. In the meantime the cost of living and wage rates in most important industries had risen substantially. In early 1946, all unions made separate submissions to the National War Labour Board for wage increases of 25 per cent. On the Board's suggestion joint negotiations were entered into but shortly after the Canadian Pacific withdrew, "because the existing level of its earnings made it impossible to offer any increase in wage rates unless compensatory increases in revenues were assured." 37/ However, the Canadian National and the Ontario Northland Railways concluded agreements with all unions, except the trainmen who also withdrew, providing for a wage rise of 10 cents per hour, effective from June 1, 1946. 38/ The trainmen's union re-submitted the original claim, undoubtedly desiring to re-establish the pre-war differentials, but were granted no more than the amount accepted by the other unions.

The Canadian Pacific, while recognizing the desirability "to maintain parity of wage rates for the same or comparable occupational classifications of employees", 39/ refused to make any adjustments without advance assurance that a compensatory increase in charges would be authorized. The Company's attitude is understandable: the general level of railway charges remained at their reduced level of 1922 throughout the war, no need for increases having arisen because of the expansion of wartime traffics. Although as the National War Labour Board observed the claim of inability to pay was not supported at the time by the company's financial position, the trend of traffics and revenues was downward, while operating costs were rising. Unlike the Canadian National which is subsidized by the Government, the Canadian Pacific depends on its revenue to absorb rising costs. Nevertheless, the National War Labour Board ordered the Canadian Pacific to raise the wages of all its employees by 10 cents an hour effective from June 1, 1946. 40/

The increase of 10 cents an hour granted to railwaymen was the maximum amount suggested by the Government for increases in wages generally. 41/ The attitude of the Canadian Pacific towards wage increases while railway charges and prices were still controlled was common to all employers: an investigation conducted by the House of Commons on Industrial Relations on the causes of industrial unrest in 1946, revealed that while labour was striving to revert to the determination of wages through collective bargaining, and was pressing for wage advances to offset the rising cost of living and to improve living standards, most employers insisted on continuing the wartime practice of limiting their offers to the amounts necessary to offset rising prices. 42/

4. THE PROBLEM OF WAGE DIFFERENCES AMONGST SKILLS

The war caused a dislocation in the wage relations of the various grades of railway workers; but, this was not so much the result of the war as such, as the consequence of Government intervention in wage adjustments. The Government did not attempt to introduce a wartime wage policy, but rather haphazardly granted flat rate increases in money wages designed to offset the effects of the rising cost of living. This policy was based upon the notion that when prices are rising, everyone's needs increase by the same amount.

It is possible, of course, to argue that the demand for the unskilled and semi-skilled labour was as strong as that for craftsmen, and that the effect of the flat rate increases is less inflationary than that which would result when the lowest rated worker is given an increase in money wages and then everyone's wage is raised by the same proportion. Nevertheless, the wartime wage policy of giving greater percentage increases to the unskilled narrowed the skilled-unskilled wage differentials and brought pressure from the skilled for re-adjustments in the post-war period. Another factor which assisted the unskilled in obtaining higher wage increases than the skilled, and enabled them to retain some of the gain in spite of pressure from the latter for the re-establishment of the pre-war differentials was the wartime strengthening of their union organizations.

The greater increases given to the low skilled workers were also motivated by a desire to induce them to remain in railway employment and also to attract new recruits. The low grade worker is not as attached to the railway service as is the specialized worker: when the labour market is

tight the low skilled railway employee is more easily induced by higher pay in other industries to change his employment, than is the specialized worker whose skill is not in demand in outside industries. The porter and the engine cleaner are more likely to leave the railway service because of lower pay than that prevailing in other industries than are the conductor and the engineer. To the lower paid grades the railways had to pay the prevailing market price. The engine driver's occupation has no market price, his wage being determined by a variety of factors amongst which his skill, responsibility, rates of skilled men in other industries, and the effect of his rate on recruitment are the most important.

The effect of the wartime practice of granting flat rate increases in pay, and of the cost of living bonus system was to narrow wage differentials. After the war skilled railwaymen brought pressure on the railways for the re-establishment of pre-1939 differentials. Management responded favourably to the request, but most measures which might have brought such a change were blocked by those representing the unskilled workers.

The widening of differentials is not an easy measure: first, it could not be brought about through percentage reductions in the rates of the unskilled who had unduly gained on the skilled; hence the latter pressed for greater percentage increases for themselves; second, to restore the differentials in effect in 1939 through proportionately greater increases to the skilled, after meeting the demands of the unskilled, would have raised costs of operation beyond the capacity of the railways to absorb; third, as already stated, the unskilled became sufficiently strong to resist any attempt to widen the differentials to the degree in existence before the war, which they regarded as unduly wide, and as

conceived and maintained during periods when they were either unorganized, or their organizations were too weak to fight for their just share.

In 1939 the average wage of car cleaners was equal to 55.7 per cent of the average wage of machinists. By 1947 it rose to 66.7 per cent. The differential between the maximum rate of engineers and the sectionman's rate almost halved over the same period—from 183 per cent to 92 per cent. The Government's wartime wage policy, competition for the unskilled workers in a tight labour market, and the increased bargaining power of the low grades of railwaymen, as a consequence of their union with other non-operating employees for bargaining purposes, account for the greater increases obtained by the low skilled.

During the investigation of a labour-management dispute in 1952 by a Board of Conciliation 43/ the issue of flat rate as against percentage wage increases assumed prominence. The railways urged the Board to revert to differential increases on a percentage basis, so that financial prospects would become attractive to both new entrants and those already employed in the industry. Fear was expressed that if the process of narrowing differentials was permitted to continue the recruitment of trainees for skilled positions would be affected adversely.

One might ask the question, how much could differentials be allowed to narrow without having adverse effects on recruitment? The fact is that the 1939 differentials in the railways' wage structure may or may not have been just an equitable. During the decade of substantial unemployment before 1939 the unskilled worker was forced to accept wages which were not necessarily related to the real value of his service. In addition to the

state of the labour market, a contributing factor to the skilled-unskilled differentials was the still dominant role of the craftsman and the relative weakness of the organizations of unskilled. As a result differentials became excessively wide. 44/

In view of developments prior to 1939, the effect of the cents-per-hour basis of wage increases applied after 1939 was to create such differentials as were compatible with labour market conditions during and after the war. Inasmuch as skilled workers protested the gradual but steady narrowing of the wage gap between themselves and the unskilled and semi-skilled, the market became very tight, and alternative employment opportunities for the unskilled expanded rapidly. Also, favourable labour legislation strengthened the organizations of the unskilled. The combination of employment security and favourable labour legislation enabled the unskilled for the first time in history to stand independent of, and opposite to, the craftsmen in their negotiation of terms and conditions of employment.

The next question is, what are "proper" differentials? In the case of the railways only their recruiting officers can provide an answer. It is reasonable to expect that when the gap narrows more than a "permissible" degree a red light would flash signalling a danger phase in recruitment. Management officers assert that the light has been flashing almost steadily since 1946, particularly in the recruitment of apprentices, but union officers prefer to remain colour blind. The more likely explanation is, however, that the organizations of the unskilled have become sufficiently strong to force the adoption of union policies more favourable to themselves. This is particularly the case with multi-occupational industrial

unions, and where a number of unions whose combined membership contains a relatively large proportion of unskilled and semi-skilled workers agree to bargain jointly. In terms of both the occupational composition of some of their organizations and their approach to bargaining, the non-operating railway employees provide a good example.

Unlike the non-operating employees the unions of the running trades have always insisted on percentage increases. They have strongly opposed flat rate increases on the ground that the resulting reduction in differentials was unjust to the men who did the most important jobs. In this they were supported consistently by railway representatives who pointed out that not only recruitment of apprentices was being affected adversely, but also workers in intermediate grades showed some reluctance to accept promotions which entailed an increase in responsibility. Even though positions of higher responsibility were attractive because of the prestige attached to them, greater responsibility must carry a sufficient increase in remuneration to induce competition among the workers for the highest positions. Nevertheless, the leaders of both labour and management realized that it was not possible to insulate the wage structure of the running trades from outside influences, and sought to maintain differentials at desirable levels by giving the running trades increases in percentage terms.

The issue of differentials is an important one for it has serious implications in relation to both the efficiency of labour and the occupational structure of the labour force. Under free market conditions differentials will respond to changes in the demand for, relative to the supply of, the various categories of labour whose prices are reflected in

them. But in the fixed term contracts existing under bargaining such response to changing market conditions can only be considered from one date of contract renewal to another. It follows that one of the prime requisites for the establishment and maintenance of satisfactory differentials is the existence of an up-to-date detailed structure of occupational classes, categories and grades of workers comprising the railway labour force. The fact that in the long history of collective bargaining on the railways neither the companies nor the unions insisted on a joint undertaking of such an analysis, reflects on their respective motivations. The absence of any recommendation to that effect by any one of the many Conciliation Boards that investigated the issues reflects on the competence of their chairmen.

As already stated, the wartime flat rate increases in wages dislocated the grading system in the industry. Nevertheless, there is no evidence of any effort on the part of labour and management to undertake a joint assessment of the relative value of different types of work performed by the various occupational classifications employed in the industry. In view of the significant technological and operational changes that were taking place, and the effect that these have had on the work content of the various skills, it is disturbing that disputes over differentials within unions, between unions, and between unions and the railways were allowed to continue year after year without a comprehensive examination of the manpower grading system, and without a re-arrangement of the relative positions of the various occupations within the total occupational structure. There is evidence that something of this nature is being undertaken this year by the Canadian Pacific Railway but covering the carmen only.

All arguments relating to differentials represent conflicts between an established order of things and forces of change that bear on them. The skilled resist the narrowing of the gap even though market forces may dictate it. On the other hand, the unskilled oppose the widening of the gap even though that may be necessary to induce an increase of apprentices in various trades. The current practice of splitting wage increases in cents-per-hour plus a given percentage is a compromise formula that appears to satisfy some of the workers in both groups. However, the split of the non-operating railway employees into three groups during the 1966 negotiations—the shop employees, the Canadian Brotherhood of Railway Transport and General Workers and a residual group of non-operating employees—is interpreted as a demonstration that the issue remains an important source of conflict both within unions and between unions and management.

5. RELATIONS IN THE IMMEDIATE POST-WAR PERIOD

The end of World War II brought to an end the wartime prosperity enjoyed by the railway industry. By 1946 the industry reverted to the downward trend that commenced in the 1920's: its passenger traffic began to fall off fast, and the proportion of intercity freight which has risen to 76.7 per cent of the total in 1944 and stood at 74.3 in 1946 also began to fall rather rapidly. The substantial surplus of the Canadian National in the period 1941-1945 turned again into a substantial deficit, and the net income (after fixed charges) of the Canadian Pacific which had risen from \$9.8 million in 1939 to \$43 million in 1943, dropped to \$25 million in 1946. While the costs of both human and material resources employed by the railways were rising, the charges for services rendered by them were kept down by the government.

The downward trend in the share of traffics conveyed by the railways was accompanied by declining employment, lag in productivity increase relative to industries with which wage comparisons were being made, intensified road transport competition and a government determination to use the railway rate structure as an instrument of deflation in a period of generally rising prices.

While the industry entered in this precarious phase of its existence, and sought a re-assessment of its role within the economy and in relation to the Government, the organizations of railway workers sought to maintain their economic positions at par with workers in industries which were undergoing a phase of rapid growth. In addition, while the unskilled and semi-skilled workers demanded wages and employment conditions comparable to those of their counterparts in other industries, the skilled pressed vigorously for greater increases to themselves in order to widen the wage gap which had narrowed substantially during the war. This is then the environment within which labour-management negotiations were being conducted in the post World War II period.

A wartime practice of significance that was continued after the war was multi-company, multi-union negotiations. Although an approach to joint union action was made during the depression, when at the suggestion of the railways the running trades and the telegraphers formed a joint committee to discuss the wage reductions introduced by the companies, large scale multi-company, multi-union "concerted bargaining" did not become a regular part of union-management relations until after the war. During the period 1946-1952 all railway unions co-operated very closely, and engaged in some joint negotiations. But the settlement of July 1948 was the last one in

which the Brotherhoods of the running trades participated. Since that time they have bargained independently, whereas the non-operating unions continued to negotiate as a group with the two major railways and some of the smaller ones, although they too on occasion have split into two or three groups.

It is significant that the settlements concluded between the railways and the Joint Committee of non-operating employees have tended to become the pattern for agreements with the other railway unions—both operating and non-operating. This is why most labour-management conflicts in the industry appear to be between the railways and the unions of their non-operating employees. Even when negotiations with the other unions failed to produce an agreement and conciliation proceedings were instituted the recommendations of Conciliation Boards were in most instances largely the terms of settlement accepted by the non-operating employees.

It is equally significant to note here that in the last 20 years not a single contract revision was bargained to a successful conclusion between the respective joint committees without the appointment of a Conciliation Board. Furthermore, a reflection on both the efficiency of the bargaining process and the effectiveness of the conciliation proceedings in the fact that the unions prepared for strike action on six occasions (1947, 1948, 1954, 1958, 1960, 1961) and went on strike twice—1950 and 1966. In 1950 the workers were ordered back to work by Act of Parliament—the Maintenance of Railway Operations Act—and compulsory arbitration was imposed; in 1960 they were forbidden to go on strike by Act of Parliament—the Railway Operations Continuation Act; and in 1966 Parliament was recalled from its summer recess and enacted the Maintenance of Railway Operations Act, 1966

which provided for the resumption of railway operations and the settlement of the dispute. It is noteworthy that the strikes of 1950 and 1966 were the only strikes on the railways this century.

As stated elsewhere in this report, the war had a significant impact on labour-management relations. The introduction of compulsory collective bargaining during the war strengthened the position of labour in its demands for the collective determination of terms and conditions of employment. The necessity for making representations to the National War Labour Board for approval of increases in wages, facilitated the continuance of the policy of concerted union action adopted during the depression. There existed a feeling within the rank and file that they were treated callously when their organizations became weak during the depression, and now there emerged a determination not to let it happen again. The militancy derived from this was reinforced by the generally expected post-war employment crisis, following the experience of World War I. In addition, organized labour generally expected that with the end of emergency conditions management would organize a major assault to regain the rights and privileges that it lost during the period of crisis. Hence it braced itself for a battle.

Railway unions had an additional grievance: they were losing their leadership position within the labour movement. As stated elsewhere, before the war railwaymen of the running trades were the "aristocracy" of labour; they enjoyed higher wages, steady employment and better provisions for retirement than any other industrial workers. As a group they remained responsible, conservative and strong. The war and post-war developments changed all this. Industrial workers, especially those in primary and

manufacturing industries began to receive wage increases which could not be matched by the regulated railway industry; inflation began to threaten their standard of living; and even the lowly workers of former years, in all industries including their own, began to gain on them in both wages and benefits. In response, they cast away their virtuousness and began to struggle.

After 1947 the cost of living continued to rise steeply, workers in most of the important industries were given increases in wages and holidays with pay, but railway management resisted similar concessions: their contention being that wage increases would raise operating costs which could not be offset because traffics were falling and freight rates were relatively rigid; and vacations with pay would introduce even greater rigidity in railway overhead costs. The unions claimed that periodic financial difficulties should not bar railwaymen from pressing for wage increases and conditions comparable to those prevailing in other industries. A Board of Conciliation 45/ concurred, and recommended six days' vacation with pay to employees with one to three years' service, nine days to those of between three and five years', and twelve days to those of five years' service and over. 46/ The Board declared that the "financial difficulties of railway management..should not be permitted to obscure the force in the claims of the Unions for annual paid vacations that will compare favourably with those prevailing in other great industries...", and that it believed "that the public of Canada will expect the railways to recognize such vacations." 47/ The railways rejected the unanimous report, but a strike threat set for November 3, 1947 brought about an agreement on October 25, incorporating the Board's recommendations.

Agreements on wage adjustments proved more difficult. There were three important obstacles: first, the level of railway wages in 1939, which management insisted was higher than the levels prevailing in other industries—it therefore refused to consider increases obtained by other industrial workers since 1939 as a basis for advances to their employees; second, the resistance encountered from traders and certain provinces to increase in railway charges to offset rising costs; and third, a new force in the bargaining process represented by the Joint Conference Committee of all 18 non-operating railway employee organizations.

Before 1939 railwaymen were better off than workers in industry generally, but after the war the level of their wages lagged behind. In 1948, the railway wage index stood at 170.2 (1939 = 100), while that of industry generally was 195.8. The reasons for the greater rise in industrial wages were: (a) before the war some railwaymen were strongly organized and were able to get higher increases than unorganized workers in industry generally; (b) during the war compulsory bargaining, cost of living increases imposed by the Government and unionization enabled employees in industry generally to get higher percentage increases than railwaymen; (c) the increase in industrialization and hence the rise in the proportion of skilled to unskilled men after the war raised the average for industrial workers; and (d) when all price controls were lifted employers resolved to purchase industrial peace with higher prices. ^{48/} The railways could not do likewise because their charges were regulated.

The wage gains of industrial workers, especially those in primary and manufacturing industries created difficulties for the railways. Railway management was caught in the middle, between the demands of the running

trades who wanted (and still do want) wider differentials and better working conditions, and the pressure from the low skilled to make up for the injustices of the past, out of a not unjustified conviction that locomotivemen and trainmen had gained unduly at their expense. In such circumstances, satisfying the demands of the one would result in conflict with the other, and attempting to accommodate both factions will satisfy neither. Management rejected all claims and transferred the burden of wage determination to Conciliation Boards and as a final resort by Government participation in negotiations.

In late 1947, all railway employees requested wage increases of 35 cents an hour. Such an amount was necessary so as to (a) eliminate the disparity existing between United States and Canadian rates of pay; (b) to offset the sharp and continuing rise in the cost of living; and (c) to catch up with wages of other industrial workers.

The first ground was rejected by the Board of Conciliation 49/ on the ground of differing economic conditions in the two countries. This argument found support in the fact that United States freight rates had risen in excess of 50 per cent between 1935 and 1948, while those of Canadian railways had remained the same since 1922. 50/ On the other two grounds some increases were warranted: between June 1, 1946, when the last wage increase was granted, and March 2, 1948 the cost of living had risen by 28.2 points—from 122.6 (1935-39 = 100) to 150.8. Regarding the wages of other industrial workers, the Board recognized that railwaymen had obtained smaller increases since 1939, but refused to make a definite pronouncement of the issue, because comparable data on the actual rates paid in 1939 were lacking. 51/

In a majority report the Board recommended an increase of 7 cents an hour. The increase in the cost of living and the ability to pay were given the most weighty consideration. The employees rejected the report and set July 15, 1948 as a strike date. Thereupon the Government intervened in the negotiations and the railways "felt compelled to agree to a wage increase of 17 cents an hour as being the only course that could avoid a general railway strike." 52/

The wage policy of Canadian railways during this period is difficult to understand, even when one takes into account the rigid regulation of their charges and operations. Wages and costs of living were rising generally, there was a general shortage of labour, and the lag in railway wages as compared with those of other employments made recruitment most difficult. In 1947 the Canadian Pacific found it necessary to make applications to Canadian immigration offices in Europe to recruit and bring to Canada a total of 1720 workers for track and maintenance work. The wages paid to such workers were not those provided in union contracts, although they were not to be "less favourable..than those prevailing in the locality for similar classifications of employment." 53/ Had the Canadian Pacific been in financial difficulties then its policy of resisting wage advances could have been justified, but in 1947 the company had a surplus (after payment of fixed charges and dividends to preference and ordinary stock) of \$20, 636, 260. 54/

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- 2/ A few hours after Britain's declaration of war, Canada's Minister of Labour announced the establishment of a Wartime Prices and Trade Board. Order in Council, P.C. 2516, dated September 3, 1939, by authority under the War Measures Act of 1914. The Board's objective was to encourage production, to prevent hoarding, and to ensure that retail prices were maintained in line with wholesale prices and prices of raw materials. Most of the material in this section is drawn from Taylor, K.W., "Canadian War-Time Price Controls, 1941-1946", The Canadian Journal of Economics and Political Science, Vol. XII, February 1947, pp. 81-98; Moffat, R.E., "Canadian Price Control Since 1939" in Features of Present-Day Canada, The Annals, 1947, pp. 125-133; Stewart, Bryce M., "The Labour Department in Two Wars", The Labour Gazette, 50th Anniversary Edition, September 1950; and "War-Time Labour Problems and Policies in Canada", C.J.E.P.S., Vol. VII, August 1941, pp. 426-446; Orders in Council; The Labour Gazette; and The Canada Year Book.
- 3/ The Labour Gazette, January 1942, p. 33.
- 4/ The Committee acted with the unanimous concurrence of the National Labour Supply Council, which was established in June 1940 (Order in Council P.C. 2686), to develop plans on manpower and training and to advise the Minister on wage policy and the maintenance of industrial peace. The Council was composed of leading representatives of industry and labour.
- 5/ Order in Council, P.C. 7440.
- 6/ Flat rate increases of \$1.25 per week for every 5 per cent rise in the index (base period 1935-1939), index number in August 1939, 1008.
- 7/ Wartime Wages and Cost of Living Bonus Order, P.C. 8253, replacing P.C. 7440 of December 16, 1940.
- 8/ Section 11 (1).
- 9/ Section 11 (2). The Board, composed of an equal number of representatives of labour and management and a chairman appointed by the Governor in Council, was charged with the administration of the Order. Provision was also made for five Regional Boards to be chaired by a Provincial Minister of Labour.
- 10/ For every rise in the cost of living index by one point a 25 cent per week bonus was to be paid; the increase to be determined every three months, February, May, August and November.

11/ Section 11 (3).

12/ By Order in Council, P.C. 8527 dated November 1, 1941, the Government established a price ceiling. The highest price at which a person or firm could sell or supply goods and services "of the same kind and quality" after November 17 would be the price charged in the period September 15 to October 11, 1941. Power was given to the Wartime Prices and Trade Board to vary any maximum price, to prescribe other terms of sale or to exempt persons, goods or services from the regulations.

13/ Moffat, The Annals, 1947, p. 128.

14/ Official Government Index, compiled and published by the Dominion Bureau of Statistics.

15/ Moffat, op. cit., p. 129.

16/ Order in Council, P.C. 9384, dated December 9, 1943.

17/ P.C. 9384, Schedule "A" Part I.

18/ Because of Labour protests this provision was rescinded by Order in Council, P.C. 1727 dated March 13, 1944. Boards were still required, however, to take written evidence from employers who claimed inability to pay, as to the amount of price increase required to meet the cost of a given increase in wages, and as to the basis on which the calculations were made.

19/ The Canada Year Book, 1945, p. 648.

20/ The Canada Year Book, 1945, p. 650.

21/ To meet water and road transport competition the railway practice had been to vary their rates between seasons. When price controls were imposed in 1941 the railways were permitted to continue their charging practice, even though their rates in winter were sometimes higher than the September-October basis. See Currie, A.W., Economics of Transportation in Canada, Note 11, p. 638.

22/ Because of the "time lag" in raising rates, the railways estimated that from the time of the 1946 application to the authorization in 1948 they lost some \$150 millions in revenue. See Royal Commission on Transportation, 1951, Report, p. 71.

23/ Appointment of the Board of Conciliation, The Labour Gazette, May 1941, pp. 503-504. Majority Report (Mr. Justice P. Kervin, Chairman) dated June 11, 1941, The Labour Gazette, July 1941, pp. 739-746; Minority Report, Ibid., pp. 746-751.

24/ The Labour Gazette, July 1941, p. 743.

25/ Ibid.

- 26/ Canadian Pacific Railway, Annual Meeting, May 1, 1943, Report of Proceedings, p. 5.
- 27/ The Labour Gazette, July 1941, p. 745.
- 28/ An inquiry into the causes of industrial unrest conducted by the National War Labour Board in 1943 concluded that a man could provide the bare necessities for the maintenance of a standard of normal health with an income of \$24 per week. Report of the National War Labour Board (arising from its public inquiry into Labour Relations and Wage Conditions, under Order in Council, P.C. 1141, dated February 11, 1942), p. 8.
- 29/ The Labour Gazette, July 1941, pp. 727-728.
- 30/ Department of Labour, Wages and Hours of Labour in Canada 1943, p. 8.
- 31/ Evidence before the Board Inquiring into Labour Relations and Wage Conditions, under Order in Council P.C. 1141, Minority Report, p. 21.
- 32/ National War Labour Board decision of July 31, 1944, The Labour Gazette, August 1944, pp. 960-962.
- 33/ Order in Council, P.C. 5963, Section 25.
- 34/ The Labour Gazette, August 1944, p. 962.
- 35/ Ibid.
- 36/ Ibid.
- 37/ Canadian Pacific Railway Company, Annual Report, 1946, p. 15.
- 38/ National War Labour Board, Decisions, dated October 16, 1946, The Labour Gazette, November 1946, pp. 1548-1551.
- 39/ Ibid., p. 1550.
- 40/ The Labour Gazette, November 1946, p. 1551. For comments on the developments leading to the settlement, see also McDougall, "The Distribution of Income Among Wage Workers in Railway Employment, 1939-1947", CJEPS, Vol. VIII, May 1947, p. 249, and Currie, A.W., Economics of Canadian Transportation, p. 403.
- 41/ In July 1946 the Minister of Labour informed the Wage Policy Committee of the Canadian Congress of Labour that wage claims for the year should be no higher than 10 cents per hour, if an inflationary spiral was to be avoided. There was no supporting evidence for setting that limit. The Labour Gazette, September 1946, p. 1333.
- 42/ The Committee's report is printed in full in The Labour Gazette, September 1946, pp. 1331-1362.

- 43/ Mr. Justice R. L. Kellock, Chairman, The Labour Gazette, January 1953, pp. 55-88.
- 44/ Ibid, p. 69.
- 45/ Professor A. Brady, Chairman, Report in The Labour Gazette, July 1947 pp. 961-963.
- 46/ Craftsmen in C.N.R. shops had enjoyed one week's vacation since 1928. It is contended that Sir Henry Thornton was prepared at the time to grant two weeks vacation, but he was summoned to a Cabinet meeting and forced to reduce his offer. Certain Cabinet Ministers regarded vacations with pay too revolutionary. Wood, L.A. Union-Management Co-operation on the Railroads, pp. 248-249.
- 47/ Op. cit., p. 692.
- 48/ Jamieson, Stuart, "Labour Problems of an Expanding Economy," the C.J.E.P.S., May 1954, p. 143.
- 49/ Mr. Justice J.C.A. Cameron, Chairman, Report in The Labour Gazette, June 1948, pp. 580-611.
- 50/ Statement by the Minister of Transport in the House of Commons on April 13, 1948, Hansard, p. 2902.
- 51/ The Labour Gazette, June 1948, p. 599.
- 52/ Canadian Pacific Railway, Annual Report, 1948, p. 15. The Prime Minister praised the Minister of Labour for preventing a stoppage which would have had a serious effect "on the critical world situation". Statement in The Labour Gazette, August 1948, p. 821.
- 53/ C.P.R. Annual Report 1947, p. 14.
- 54/ Canadian Pacific Railway, Annual Report, 1947, p. 7.

CHAPTER V

THE SHOWDOWN: THE RAILWAYS, THE UNIONS, THE GOVERNMENT

1. THE 1950 SHOWDOWN

Shortly after the 1948 settlement, United States railwaymen obtained a 7 cents an hour increase in wages and a reduction in weekly hours from 48 to 40 without reduction in weekly wages. In July 1949, 15 Canadian international unions of non-operating employees demanded the same concession plus the introduction of a "check-off" system. After expressing willingness to discuss the demands, the railways made counter proposals for the revision of certain work rules which had become "unduly onerous and restrictive of efficient operation". 1/

The railways were fully aware, of course, that the unions held work rules to be not negotiable. Furthermore, there was no trade-off between work rules and hours of work in the United States settlement, and hours of work were being reduced in most major industries in Canada. In this environment, the proposal to discuss such a trade-off could not but have been based on the expectation that there will be no discussion.

It is also noteworthy that for the first time since 1934 the unions did not act jointly on this occasion; the Canadian Brotherhood of Railway

Employees elected to demand a higher increase in pay, which in the opinion of its officers was necessary to offset the rapidly rising cost of living; whereas to the running trades hours of work are not an item of priority, since their pay is based on a formula that involves both miles run and hours on duty. Hence two Conciliation Boards 2/ were constituted: one to investigate the dispute between the railways and the 15 non-operating unions, and the other between the railways and the Canadian Brotherhood of Railway Employees which made a separate application demanding a 40 hour week, and 10 cents per hour increase in pay.

The Boards recommended the establishment of a 44 hour week and 4 cents an hour increase in wages, but these terms were rejected by the unions. The events that followed including the first nationwide strike in Canada, would involve a study in themselves; we can only touch on the most significant developments.

Negotiations having been resumed and broken down, on August 1 the unions announced that their members had voted to strike, unless their demands were fully met. 3/ Under Government pressure a meeting at the highest level took place at which management made a "final offer" which included, (a) recognition by management of a moral obligation to introduce a 40 hour week "at the appropriate time", (b) recognition by the unions in principle of 10 amendments in rules in existing contracts, 4/ and (c) either a basic work week of 44 hours without reduction in weekly wages, or an increase in hourly wage rates by an average of 8 1/2 cents without reduction in weekly hours of work, to be applied in such a way as not to raise the rates of certain occupations above those paid in other industries for comparable work, and to widen some differentials "so as to provide a reasonable incentive for advancement". 5/

At the end of the above meeting in a public statement the railways termed the offer "the ultimate which can be expected" and emphasized that "no good purpose will be served in taking it as another bargaining point." If it was not accepted all compromising offers were to be withdrawn, the agreements of 1948 remaining in effect. 6/ The statement was by far the most alienating document made public by any one of the negotiating parties; dictatorial in tone, it gave a "solemn warning" to union leaders of the "grave and frightening" weight of responsibility that they were assuming if the strike was not called off, and accused them of having bargained in bad faith. This ill-conceived public statement destroyed any possibility that might have existed of averting the strike. The unions rejected the offer, and labelling the railways' statement "both irritating and provocative", they accused management in turn of making bargaining "an interminable process calculated to preserve the status quo to the last possible moment." 7/ A special conciliator appointed by the Government was not successful in achieving a settlement because of the time limit imposed by the strike vote—the unions having rejected a Government request for postponement—the complete lack of confidence between the parties, and the large number of unions attempting to bargain as one unit. 8/

The strike began as scheduled and the railways did not attempt to carry on operations. On August 29 the Prime Minister called a special session of Parliament which passed the Maintenance of Railway Operations Act 1950, (Text reproduced in Appendix A) which provided for: (a) the resumption of operations within 48 hours; (b) an immediate provisional increase in wage rates of 4 cents an hour; (c) the appointment of an arbitrator within 30 days to decide on all matters not agreed upon between the parties;

and (d) the principle that in deciding on any of the disputed issues the arbitrator should consider them within the limits of the proposals made by the parties up to the time of his examination of the issues. Accordingly an arbitrator was appointed 9/ who raised the 4 cents provided for in the Act to 7 cents an hour retroactive to the date when the strike ended; and ordered the institution of a five-day 40-hour week effective from June 1, 1951. 10/ So the unions achieved their objective which, it must be emphasized, was not the increase in wages but rather the 40 hour week. Had a wage increase alone been the objective then they would have accepted the 8 1/2 cents increase offered to them.

Another indication that the dispute was about the reduction in the hours of work rather than the increase in pay, is the fact that an agreement was negotiated with the running trades which provided for an increase of 14 1/2 cents per hour for all, excepting the engineers who obtained an increase of 11 per cent. 11/ Both the priority given to increases in pay, and the insistence of engineers for percentage rather than cents-per-hour increases, were contrary to the policies of non-operating unions. We shall note shortly that increases in wages have assumed prominence in the policies of all railway unions, and we have already noted that the non-operating skilled groups are pressing for greater increases to themselves. This makes it conceivable that the operating and non-operating may again find common ground for joint action.

Three factors emerged from the strike of 1950: first, labour-management relations which had been cordial in the past became rather strained; second, many industries used road transport, and fear of another rail interruption in the future induced them to purchase their own

transport fleets; and third, the availability of many buses, trucks and passenger cars reduced the effectiveness of the railway strike (See Appendix B). Had the strike taken place during the winter, or at crop moving time, its effect would perhaps have been felt more strongly. Nevertheless, it is significant that the stoppage did not prove as catastrophic as it was expected to be. As we shall note shortly this was also the case in the 1966 stoppage.

The 7 cents an hour increase demanded by the unions in 1949 was designed to preserve the wage rate-cost of living relationship established by the agreement of 1948. Because the dispute extended until December 1950, and in the meantime the cost of living rose further, the arbitrator estimated that an increase of 10.2 cents an hour would have been required to restore the relationship, 12/ implying that he would have considered granting such an amount had his award not been limited to the proposals made by the parties prior to his decision. By November 1951 the cost of living had risen to 191.2 (1935-39 = 100) from 169.8 in September 1950; since a formal contract revision was not due for another 10 months, the unions informally requested some increase but management failed to respond. 13/

2. RISING PRICES AND CONFLICT OVER THE DURABLE GOODS STANDARD

In periods of steeply rising price levels the fixed term wage contract is not to the advantage of labour. This became particularly evident in the period July 1949-January 1952 when the cost of living rose from 162.1 (1935-39 = 100) to 191.5 and still the railways failed to give sympathetic consideration to the unions' request in 1951 for some wage increase to offset the rise in prices.

Anticipating that the increase in prices would continue, the unions sought safeguards in a cost of living sliding scale. In addition, they sought to recover some of the purchasing power they lost over the preceding two years by demanding an increase in wages by 45 cents an hour. They also asked for the adoption of the union shop principle, and compulsory check-off. The railways offered an increase in wages of 7 cents per hour, but rejected all other demands.

During the investigation of this dispute by a Board of Conciliation 14/ the issue of flat rate as against percentage wage increases assumed prominence. The railways argued that differential increases on a percentage basis should be considered so that financial prospects would become attractive to both new entrants and those already employed in the industry. Their spokesmen emphasized also that if the process of narrowing differentials were permitted to continue the recruitment of trainees for skilled positions would be affected adversely. Union representatives have admitted privately that they were in complete agreement with the railways on this issue. But they had to carry out the policies adopted by a majority vote of those whom they represented, which provided for cents-per-hour increases.

In response to the railways' suggestion on percentage increases the Board recommended advances of 7 per cent plus 7 cents an hour—equivalent to 16.05 cents per hour. The request for dues check-off was also granted, but the demands for union shop and cost of living sliding scale were rejected. 15/

In contrast to the non-operating employees, the Brotherhoods of the running trades demanded percentage increases. The Brotherhood of Railroad Trainmen demanded a 35 per cent increase from each railway system separately. Two Conciliation Boards, under the Chairmanship of Judge W. S. Lane, recommended 12 per cent. 16/ After the usual rejection of the report by the union, and the resumption of negotiations, a strike deadline was set for February 2, 1953. However, the usual process of dispute settlement on the railways entails a further step, namely Government involvement. The intervention of the Government resulted in a settlement on January 29, 1954, which provided for the same increase as that recommended by the Boards. There is no record of what transpired during the conferences with the Government. How did the Government cause the Brotherhood to accept the recommendations of the Boards? Did it promise something or did it threaten the Brotherhood with legislative action to prevent the strike from taking place? It has not been possible to obtain answers to these questions.

Subsequent to the signing of the agreement between the Brotherhood and the railways the other Brotherhoods of the running trades also signed contracts which provided for the same or equivalent increases. 17/

Another issue that assumed prominence at this time was the question of an equitable standard with which to compare the wages of railway workers. I have examined this problem in some detail elsewhere in this study. Suffice it to say here that the durable goods standard which was proposed by the railways in the late 1940's and was rejected by them in the early 1950's, has been the sole basis on which the unions of non-operating employees have sought to justify their demands. In 1955, the non-operating

employees, who had opposed the adoption of the durable goods standard, rested their claim for an 18 per cent increase entirely on the advances granted to workers in that group of industries. 18/ Now the railways rejected their own standard and urged the Board of Conciliation to substitute it for "the average earnings of all workers in the labour force in Canada." 19/

The Board of Conciliation that investigated the issues involved in this dispute demonstrated a degree of competence and initiative not usually found amongst many Conciliation Boards. The Board rejected the proposed single comparative criterion of wage determination, but unlike most other Boards, set out what it regarded reasonable criteria. In addition to a proper standard of comparison, the Board suggested that account must be taken of the nature and amount of increase obtained by other workers since the last increase granted to the workers involved; changes in the cost of living; and the ability of the industry to pay. But, in relation to the last, the Board found it necessary to make a qualification: considering that the railways are common carriers, and their ability to earn revenue is impeded by regulations relating to their charges and regulations, the ability to pay criterion cannot be given too much weight. The Board agreed with the opinion of Mr. Justice Wilson (Chairman of Conciliation Board in 1950) to the effect that the financial position of the railways should not be used as a basis to perpetuate unjust substandard wages or onerous working hours. If the employees deserved wage increases then these must be granted and the public must pay the cost. 20/

In considering the ability of the railways to pay the Board made two suggestions: (1) if the Government intended to preserve the statutory rates

on grains then it must subsidize railway operations; and (2) that the Canadian National was a more appropriate yardstick for wage determination because it was owned by the people of Canada and its employees had the right to demand "that their standard be kept at a level with the nearest comparable standard in Canadian industry". 21/ This view is quite similar to that expressed by a Court of Inquiry that investigated a wage dispute on British Railways in 1955 to the effect that "having willed the end, the Nation must will the means." 22/ Since the Canadian Pacific was the standard for railway rate determination, presumably the higher costs that will be incurred by the company were to be offset by higher charges.

In explaining the basis for its recommendations the Board pointed out that the employees involved in the dispute had not had any wage increases since September 1952. In the meantime other industrial workers had obtained substantial increases.

The extent to which the wages of railway workers lagged behind those of workers in other industries is shown in Table XXIV.

Evidently railway employees had a just grievance. In the period 1947-1955 inclusive their wages increased considerably less than those of other industrial workers: whereas the average weekly earnings of Building and General Engineering workers increased 78.5 per cent, the average of workers in All Manufacturing Industries taken together increased by 72.5 per cent, and those of workers in Durable Goods Industries increased by 70.6 per cent, the average earnings of All Railway workers increased by only 39.5 per cent, and those of Non-Operating Railway workers increased by only 51.4 per cent. The reasons for this lag in the earnings of railway workers can be ascribed

TABLE XXIV

Average Weekly Earnings in Railways, Building and General Engineering,
Durable Goods, and All Manufacturing Industries, 1947 to 1957

	<u>Railway Wage Earners</u>		<u>Building and</u>	<u>Durable</u>	<u>All</u>
	<u>All</u>	<u>Non-operating</u>	<u>General</u>	<u>Goods</u>	<u>Manufacturing</u>
			<u>Engineering</u>	<u>Industries</u>	<u>Industries</u>
	\$	\$	\$	\$	\$
1947	45.60	37.78	36.12	37.71	34.47
1948	52.80	43.96	40.68	42.24	38.96
1949	54.24	45.34	43.28	45.28	41.74
1950	55.20	46.26	45.07	47.74	44.03
1951	52.80	46.60	50.67	53.38	49.29
1952	56.00	50.80	59.04	58.49	53.83
1953	62.80	57.20	64.31	61.55	56.25
1954	62.80	56.60	64.08	62.13	57.43
1955	63.60	57.20	64.46	64.35	59.45
1956	72.40	65.20	72.73	67.45	62.40
1957	76.00	68.20	78.47	70.15	64.96
1958	80.00	72.20	78.37	72.42	66.77

Percentage Increase Since 1947

1948	15.8	16.4	12.6	12.0	13.0
1949	19.0	20.0	19.8	20.1	21.1
1950	21.1	22.4	24.8	26.6	27.7
1951	15.8	23.3	40.3	41.6	43.0
1952	22.8	34.5	63.5	55.1	56.2
1953	37.7	51.4	78.0	63.2	63.2
1954	37.7	49.8	74.4	64.8	66.6
1955	39.5	51.4	78.5	70.6	72.5
1956	58.8	72.6	101.4	78.9	81.0
1957	66.7	80.5	117.2	86.0	88.5
1958	75.4	91.1	117.0	92.0	93.7

- Sources: (1) Railways: D.B.S., Railway Employees and their Compensation 1939, 1946-1951, Reference Paper No. 38, p. 5; and Railway Transport, Employment Statistics, annual report. The Average weekly earnings have been calculated from the hourly rates on the basis of a 48 hour week to 1950 for all workers except those in the maintenance of equipment who worked 44 hours, and a 40 hour week for all wage earners thereafter.
- (2) All other Industries: D.B.S., Employment and Payrolls, Sept. 1959, p. 27.

to three factors: first, their earnings were somewhat higher at the base year; second, industrial productivity increased much more after the period of post-war reconstruction than did productivity in railway services; and third, the ratio of skilled to unskilled workers in industry increased, increasing average earnings per worker.

It is significant to note, however, that in 1947 the average weekly earnings of Non-Operating Railway Workers were almost equal to those of workers in Durable Goods Industries. But by 1955 they fell behind 19.2 per cent. To rectify this inequity the Conciliation Board recommended an 11 per cent increase in basic wage rates, to take effect on four stages: 3 per cent from January 1, 1956; 3 per cent from April 1, 1956; 2 per cent from November 1, 1956; and 3 per cent from June 1, 1957. The Board declared that it anticipated "the buoyancy of the Canadian economy" would improve the financial position of the railways and enable them to absorb the increase in costs.

3. INDECISION AND CONFLICT

The 1958 and 1960 negotiations are characterized by three developments: first, the period 1958-1961 is one during which the economy was beset with a serious contraction in business activity, with unemployment remaining at an average annual rate of 6.7 per cent; second, the Government in power was pursuing an economic policy which was distinctly biased in favour of groups which were opposed to increases in freight rates; and third, there appears to have existed a determination on the part of both unions and the companies to have a show-down with the Government.

The increases in wages obtained in 1956 raised the average weekly earnings of non-operating railway employees to virtual parity with those of workers in durable goods industries. Since productivity in those industries was rising faster than on the railways, and since it was generally expected that this would continue to be so in the future, it is natural that the railway employees concerned should have persisted in their demands that the wage parity be maintained. Since the durable goods standard was initially proposed by the railways, the onus was now upon them to prove that it was no longer an equitable standard of comparison. There is no evidence of any attempt by the railways to present and defend a more acceptable alternative. Their usual response to the demands of the unions has been to estimate and make public the total cost in meeting the demands in full, and to declare that under their existing rate structure they could not bear a cost of this magnitude. A response of this nature does not contain counter-proposals and does not establish a basis for negotiations.

In the 1958 revision of the collective agreement, the non-operating unions sought an increase in wages of 11 per cent plus 17 cents per hour effective January 1, 1958, an improved vacation plan, one additional statutory holiday and \$8.50 per month per employee for one year to improve the health and welfare plans. The magnitude of increases in wages demanded was based entirely on "the necessity for full and unqualified parity with the established and accepted standard for the determination of their (the employees') working conditons, that is to say, unmodified parity with the 'durable goods' standard". 23/

As usual, the railways responded with an estimate of \$146 millions to meet the demands, rising to \$193 million when account is taken of the fact

that the same wage increases and benefits had to be extended to all other employees. Also, they rejected the proposition that the durable goods standard was the best or most appropriate standard of comparison, and submitted that "if an accurate comparison is made on the basis of the skills possessed and work done by their employees, it will be found that their employees are now receiving wages which are somewhat higher than the wages paid to their counterparts in outside industry". 24/ Therefore, they declared, "the terms and conditions of the existing agreements are fair and reasonable and should be continued in force without change for a further period of one year". 25/ Such a response is designed to terminate rather than initiate a bargaining process.

The Conciliation Board that investigated the dispute 26/ attempted to "bring the parties together in an atmosphere which would be conducive to collective bargaining" but found that they "were reluctant to concede anything and the Board's efforts at conciliation ... were of no avail". 27/ Although one of the union spokesmen admitted apparently that the 11 per cent plus 17 cents per hour wage increase demanded was the "asking price," and that it "had been submitted as a basis for bargaining", 28/ the railways insisted "that the wage rates of their non-operating employees compare favourably with those of their counterparts in outside industries". 29/

The Board disagreed with the stand taken by the railways: on the basis of the increases in wages generally, and the increase in the cost of living by 3.5 index points since the last increase in wages obtained by non-operating employees, it deemed it necessary that some increase be granted even though railway traffics were declining and so was the railways' ability to bear the higher burden. In a majority report (Justice

Thompson and David Lewis) the Board recommended increase in wages of 4 cents per hour retroactive to January 1, 1958; a further 3 per cent effective on September 1, 1958 and an additional 3 per cent effective April 1, 1959 both to be calculated on the basis of the wage rates in effect at December 31, 1957. Also, it recommended 20 days vacation after 35 years service, and commented on the fact that under the Annual Vacations Act all employees were to receive two weeks vacation after two years of service.

This Board, like so many of those that preceded it did not even attempt to determine what constituted ability to pay and whether the durable goods criterion was a satisfactory basis for the determination of the wages of non-operating railway employees. On the ability to pay issue it merely quoted the Wilson Board of 1950 to the effect that "railworkers must not be required to accept substandard wages or onerous working hours in order to underwrite railway deficits. If higher wages are deserved they must be paid, and the public must pay the cost. This does not, however, imply that enlightened labour should proceed to exact what it can in the way of wage increases without regard to the condition of the business which employs it". On the question of a comparative standard it declared: "... in our opinion the durable goods standard leaves much to be desired. In spite of that, however, it still remains one of the most important factors to be taken into account in determining what is a just and reasonable wage rate for the non-operating employees of the railways." Considering its declaration that the durable goods standard "leave much to be desired," the logical steps would have been to recommend some measures for its improvement. Instead, it referred to a statement made by the Taylor Board of 1956 to the effect that the durable goods standard "... is not an absolute guide and cannot

be applied mathematically or mechanically regardless of all other circumstances." 30/ Such generalities can hardly be conceived as basis on which specific recommendations can be justified.

The question arises what were the criteria and how much weight was given to each one of them in determining the recommended wage increases? The report states that "the chairman throughout was concerned about the conditions of the economy as a whole ... , while Mr. Lewis was concerned about agreeing to a figure which was substantially below the level of earnings of the employees in durable goods. The result has been a compromise." 31/ Thus, it would appear that the general state of the economy and what in Mr. Lewis' view was feasible under the existing circumstances determined the nature and magnitude of the recommended increases.

The unions accepted the recommendations. But on September 2 the railways informed the Minister of Labour that they were not in a position to indicate either acceptance or rejection of the report until the sources of additional revenue were to be determined. Coming from an industry whose rates and operations are regulated by the Government, a statement of this nature is clearly designed to involve the political process before the conclusion of an agreement. From the standpoint of free collective bargaining this is a regrettable move: it would have been better to conclude an agreement and then explore the ways and means to obtain the necessary revenue. The response of the unions to the position taken by the railways was to take a strike vote and subsequently announced that a strike would take place on December 1, 1958.

On September 11 the railways applied for an interim increase in freight rates to meet the anticipated increase in wages. On November 17 the Board

of Transport Commissioners awarded them a general freight rate increase of 17 per cent. However, certain provinces appealed to the Government against the increase, and on November 26 the Government issued the following statement:

On the hearings of the appeal from the decision of the Board of Transport Commissioners awarding the railways an increase in freight rates in order to meet a proposed increase in wages, it was agreed by the eight provinces and the railways—

1. That the wage increases are reasonable
2. That a railway strike would be a national disaster and must be avoided.

They disagreed on the propriety of the action of the Board of Transport Commissioners in basing an increase in freight rates on an anticipated wage increase which had not been unconditionally agreed upon by the railways and their employees; the provinces asked that the order made by the Board be disallowed on this ground.

We consider that in future the railways and their employees must come to a definite agreement before a wage increase should be accepted by the Board of Transport Commissioners as the basis for an increase in freight rates; otherwise the Board as it foresaw itself, is apt to be forced into making judgments about wage settlements which are not its proper responsibility. In the present case we are not allowing the appeal on this ground because to do so at this stage would precipitate a nation-wide strike over an increase in wages as recommended by a Conciliation Board, which increase neither the railways nor the provinces have resisted, or will resist.

The suggestion was made that these wage increases should be paid from the federal treasury. We do not intend to embark upon a policy of subsidizing wage increases. There would be no end to demands on all governments if such a policy were adopted.

It is however recognized by the Government that there are serious inequities in the present freight rate structure which have both contributed to and been aggravated by the system of horizontal rate increases. The Government has already indicated its intention to move towards a solution of these problems.

Representatives of the provinces made it clear during the current hearings that their chief request is for a complete revision of the freight rate structure. Obviously this could not be undertaken

in the circumstances of the present appeal and in view of the certainty of the nation-wide railway strike next Monday if immediate action were not forthcoming. The interim increases have accordingly been allowed although this type of freight rate increase is not in accord with the Government's long-range plans.

A study is being undertaken at once to work out measures to relieve against inequities in the freight rate structure including any that may be aggravated by the present increases.

Steps are also being taken to set up a suitable body to review the general field of railway problems and policy. This study will include not only a comprehensive consideration of the railway freight rate problem—including the situation of the long-haul provinces in the west and in the Atlantic region—but also other specific problems which require solution if Canada's railways are to serve the national interest without prejudicing particular industries or areas.

The intention of the Government is to provide both an immediate alleviation of discrimination where it exists and a long-term solution to the broader problems.

With the strike date approaching, and the unions repeatedly demonstrating their determination to withdraw the services of their members, the only alternative to allowing the increase in freight rates to stand would have been legislation to forbid the strike from taking place. The Government elected to allow the increase in rates, although as is noted elsewhere in this report a few months later ordered a reduction of the 17 per cent to 10 per cent, effective August 1, 1958. Nevertheless, having secured permission to increase their freight rates, the railways accepted the recommendations of the Conciliation Board, and an agreement was concluded on November 27.

The decision of the Government in 1959 to introduce the Freight Rates Reduction Act, under which the 17 per cent increase in freight rates of December 1, 1958, was rolled back to 10 per cent effective August 1, 1959, and the decision of the Board of Transport Commissioners on May 2, 1960 to

order a further reduction to 8 per cent, demonstrate how the railways are used as instruments for the implementation of government economic policy. It is appropriate to pose the question again whether it is logical to treat an industry as an instrument of economic policy and at the same time expect it to pay its way.

Also, considering that improvements in terms and conditions of employment are based on anticipated rather than current earnings, which in turn are based on the prevailing structure of freight rates, the decision of government to reduce the rates after the increase in wages had been agreed upon, contributes neither to good railway-government relations nor to satisfactory labour-management relations. Under the circumstances it is not surprising that the railways questioned the government's integrity when it sought to assist in the settlement of subsequent disputes. In 1960 they steadfastly resisted government pressure to accept the majority recommendations of a Conciliation Board without prior guarantee of compensatory increases in charges or subsidies, forcing resort to legislative action to prevent a strike from taking place. Ultimately the government was forced to make direct payments to the railways before they agreed to accept the recommendations and conclude an agreement.

The details of the 1960-1961 dispute were as follows: in late 1959 the unions demanded wage increases of seven per cent plus twelve and one-half cents an hour, and improvements in vacations. A Conciliation Board was established on March 31, 1960 (Mr. Justice J. V. Milvain, Chairman; Mr. Philip Vineburg, representing the railways, and Mr. David Lewis, representing the unions), which in a majority report (The Chairman and Mr. Lewis) recommended a two-year agreement effective from January 1, 1960, and

providing for increases in wages to two cents an hour effective on that date, another five cents an hour effective on September 1, 1960 and a further four per cent effective May 1, 1961 calculated on the rates in effect prior to January 1, 1960. It is estimated that the average increase in wages effective May 1, 1961 would have amounted to 14 cents an hour. It was also recommended that vacations with pay be extended to 20 working days after 25 years of service.

The unions accepted the report, but the railways announced that because of sharply falling traffics and declining revenues they could not bear the increase in labour costs entailed in the recommendations for increases in wages. Whereupon, on September 20, 1960, the unions informed the Minister of Labour that in view of the railways' attitude they were left no alternative but to take a strike vote; and on November 15 the Chairman of their Negotiating Committee, Mr. Frank Hall, announced that failing a settlement by December 3, 1960, a strike will take place as of 8 a.m. on that date. It is instructive to note that between the submission of the unions' demands and the appointment of a Conciliation Board three months elapsed during which nothing transpired that can be designated as negotiation; the Board reported four-and-one-half months after its appointment; and the unions announced the result of a strike vote two months after that. Thus, eleven months elapsed between the submission of the demands and the decision of union members to take strike action. Considering that throughout the period the railways made it abundantly clear that they will not concede any increase in wages as long as the government's policy regarding charges and payments for services rendered in the national interest remained unchanged, it is surprising that the taking of a strike vote was delayed so long. It has

been suggested that the unions were aware of the railways' inability to absorb the recommended increases in wages, but since the government was responsible in part for their financial difficulties—the roll-back of the 17 per cent increase in freight rates to 10 per cent, and the further reduction to 8 per cent ordered by the Board of Transport Commissioners on May 2, 1960, being the latest evidence—they expected that it would assist them to meet the recommendations of the Conciliation Board. But the government adopted a totally passive attitude. Hence, the strike vote was taken only after the Negotiating Committee of the unions became convinced that the government would not act until it is faced with the possibility of a general railway strike.

Upon the announcement of the strike date, the government reacted as if it was not aware that the conflict was approaching the crisis phase. On November 19, the Minister of Labour, accompanied by the Postmaster General and the Minister of Transport met the parties in Montreal but to no avail. It appears that they sought to bring about a settlement without committing the government in any way, and having failed in this, they attempted to get a postponement of the strike date. The response of the Negotiating Committee was that the existing situation had been the result of fruitless arguments over many months. No benefit would be derived from further negotiations. It was evident to everyone, except perhaps to the leader of the Government, that a settlement would not be achieved without some government commitment. On November 26, the three Cabinet Ministers conferred with the parties in Ottawa. The Prime Minister also attended some of the meetings and attempted to impress upon the disputants the economic chaos that would ensue as a result of a general railway strike. At the end of the conference

the union spokesman declared: the strike would definitely not be postponed; and a strike would definitely take place if the recommendations of the Conciliation Board were not met before 8:00 a.m. December 3. Following further unproductive meetings, the Prime Minister informed the parties that his Government had no alternative but to take legislative action to prevent a strike which would have far reaching effects on the economy. Whereupon, on December 2, 1960, Parliament passed the Railway Operations Continuation Act which prohibited strike action for a period of six months.

On January 23, 1961, the Prime Minister urged the parties to meet and make every effort to reach a settlement before the expiration of the Act on May 15. However, despite the fact that he was informed on February 15 that the parties had met on the 14th and that no progress was made whatsoever, and no arrangements had been made for further meetings, his Government reverted to its passive policy which lasted until a crisis was approaching again. In the meantime, in March 1961 the MacPherson Royal Commission has submitted the first volume of its report in which it recommended that the Government make substantial interim payments to the railways for services rendered in the national interest. But the Government failed to respond. As a result, on April 21, Mr. Frank Hall announced that a strike would take place the day after the expiration of the Act. Finally, the Government decided to put into effect the only measure that could settle the dispute: it informed the railways that in accordance with the recommendations of the Royal Commission it would make interim payments in the amount of \$50 million per annum. On May 2, the Minister of Labour wired the parties a request that they meet again, following which an agreement was concluded based on the recommendations of the Conciliation Board. Thus, sixteen months expired

before a settlement could be reached. Such delays are a source of frustration to both the direct participants in the negotiations and the workers. It cannot be expected that satisfactory labour-management relations would evolve in a setting which is characterized with continuous conflict lasting over periods of a year or longer.

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- 3/ The Labour Gazette, October 1950, p. 1639.
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CHAPTER VI

THE TROUBLESOME SIXTIES—CONFLICT AND PROGRESS

1. THE "HISTORY-MAKING" SETTLEMENT

The negotiations and collective agreements of 1962 and 1966 reflect some significant changes in the nature and scope of collective bargaining in the industry. It is warranted, therefore, that they be set out in detail.

In 1961, the Joint Negotiating Committee of Non-Operating Railway Unions notified the companies that it wished to negotiate on the following changes in terms and conditions of employment:

1. A two-year contract;
2. An increase in wages of approximately 25 cents per hour—5.75 per cent plus 11 cents per hour;
3. One additional paid holiday;
4. Improvements in health benefits;
5. Advanced notice of impending lay-offs;
6. Restriction on management's rights to let work out to contractors;
7. A job security programme involving a) guaranteed full employment for all employees with five or more years of service—their

numbers and straight time hours to be reduced only through attrition, and at a rate not to exceed one per cent of the preceding year's employment, b) employees with less than five years service to be covered by a Supplementary Unemployment Benefit scheme which would provide such an amount of assistance as to raise the combined S. U. B. and Unemployment Insurance to 100 per cent of take-home pay.

As has been the practice in the industry, the representatives of the parties met and agreed to seek the institution of conciliation proceedings. One can only speculate what might have happened if the Minister of Labour had refused to comply with their request until they presented evidence that negotiations did in fact take place. Nevertheless, on March 9, 1962, a Conciliation Board was established (Mr. Justice F. Craig Munroe, Chairman, Mr. A. G. Cooper, Q.C. representing the railways, and Mr. David Lewis, Q.C. representing the Unions).

On August 9, Mr. Justice Munroe announced a "history-making" settlement of the dispute: the Board presented a unanimous report, and its recommendations were accepted by the members of the Negotiating Committees of both the unions and the railway companies. This is the first time in the history of post-war negotiations between the Unions of Non-Operating Railway Employees and the Railway Companies that a Conciliation Board was able to bring about an immediate settlement.

The Agreement provided for:

1. Wage increases of: one per cent per hour effective March 1, 1962, based on rates in force at December 31, 1961; one per cent per

hour effective October 1, 1962, based on rates in effect December 31, 1961; two cents per hour effective January 1, 1963; and two cents per hour effective July 1, 1963.

2. Commencing January 1, 1963, each Railway Company will establish a fund in an amount equal to one cent per hour worked (or paid for) by all its employees covered by the collective agreements on and after that date.

Each such fund will be administered by a joint committee and shall be expended in such manner as the said committee shall determine for any one or more of the following purposes:

- a) Severance pay to employees laid off permanently;
- b) Supplementary unemployment benefits to employees laid off subject to recall;
- c) Re-training programmes;
- d) Re-allocation of employees;
- e) Such other related purposes as the said committee may agree upon.

3. A prerequisite to the application of the above provisions is the revision and adaptation of seniority rules to facilitate reasonable mobility of workers.
4. Any of the above matters (including the revision and adaptation of seniority rules) not agreed upon by July 1, 1963 can, on the application of either party, be submitted to a board of arbitration for final and binding settlement.

The declared objective of the job security program as set out above was:

1. To mitigate hardships suffered by long service employees when their jobs are eliminated; and
2. To enable long service employees who are being replaced and who need to be retrained to qualify for new jobs available with the same employer and to enjoy a means of support while so engaged.

The significance of this collective agreement rests upon two points:

1) recognition on principle of a responsibility on the part of the employer to ensure the employment of his workers; and 2) the acceptance of final and binding arbitration on all matters related to the job security program not agreed upon through the regular process of bargaining.

To attain the objectives set out in the agreement a Job Security Fund was established to which each railway company contributes on a monthly basis one cent an hour for each hour paid for, in respect of all employees covered by the Non-Operating Collective Agreements. On November 16, 1964, a supplementary agreement was signed with non-operating unions which set out the nature and conditions under which payments will be made from the fund to laid-off workers. They are:

1. Eligibility—An employee who has completed:

- a) Seven years or more of cumulative compensated service;
- b) A continuous waiting period of 30 days if the period of lay-off has expired;
- c) Has exercised full seniority rights on his basic seniority territory;
- d) Has applied for security payment.

2. Computation of Credit Units—Each employee will be credited with units on the following basis:

- a) One-third of one unit of service credit for each calendar month, or major portion thereof, of cumulative compensated service, calculated from the last date of entry into the company's service as a new employee;
 - b) An employee may accumulate a maximum number of 100 credit units;
 - c) Upon payment of each \$12.00, a corresponding credit unit shall be deducted from the accumulated total of an employee;
 - d) A laid-off employee, whose credit units are reduced on account of security payments, will, on recall, be allowed to accumulate credit units anew;
3. Payment—"Eligible" laid-off employees will receive payments on the following basis:
- a) A weekly benefit of \$12.00 for each complete week of seven calendar days laid-off, for a maximum period of 52 weeks. The number of weekly payments limited to the number of full credit units allocated to the employee at the time of layoff. Alternatively,
 - b) A commuted payment equal to the number of unexpended credit units times \$12.00 upon resignation from the company.

2. THE MUNROE WAGE CRITERIA

In the 1964 revision of the collective agreements two significant developments took place:

1. The Canadian Brotherhood of Railway, Transport and General Workers did not join the other seventeen non-operating unions in their demands. Although subsequently it withdrew its separate demands and replaced them with demands similar to those of the other unions the split was to have a lasting effect, and as we shall see shortly, it spread in the 1966 negotiations.
2. For the first time, the Chairman of a Conciliation Board set-out in detail an alternative to the durable goods standard.

The dispute concerned primarily wages: the seventeen Associated Non-Operating Unions demanded that the "average hourly earnings of non-operating employees shall be increased to provide parity with average hourly earnings in durable-goods manufacturing industries." In rejecting the request the railways put forth the proposition that if any comparison were to be made between the average earnings of employees in durable goods, industries and railway employees then it should be with the "railway group" of employees rather than with the non-operating group. The proposed group included the higher paid operating workers and excluded some of the lower paid groups such as clerks.

After reviewing the statements of Conciliation Boards in the period 1950 to 1963 regarding the durable goods standard, Mr. Justice F. Craig Munroe (Chairman of the 1964 Conciliation Board) concluded that:

1. All boards accepted the concept and value of some appropriate standard for comparing the earnings of non-operating railway employees with a comparable, or most-nearly comparable, group of employees in outside industries;

2. All accepted the group of employees in the durable-goods industries as the most-nearly comparable;

3. All rejected the idea of a mechanical or automatic application of the durable goods standard; and

4. Their reports lend no support for the proposition put forward by the Railways that the earnings of the durable-goods group should be compared with the "railway group".

In an effort to determine "what is fair, just and equitable remuneration to be paid to the non-operating railway employees during 1964 and 1965" he suggested the following considerations:

1. Compare the average hourly earnings of the non-operating employees with those of the durable-goods group at the end of 1963. The figure for the non-operating employees is \$2.02 compared with the figure of \$2.16 for the durable-goods employees, a difference of 14 cents an hour.

2. Consider to what extent, if any, such averages are affected by overtime premium rates, and make an appropriate adjustment to the end that like will be compared with like, viz., straight-time earnings with straight-time earnings. Regrettably, there is nothing in the material before this Board upon which such a comparison may be made, and accordingly, no such adjustment can be made.

3. Consider what fringe benefits are available to each group and the cost thereof, and make an appropriate adjustment—because fringe benefits

are part of compensation paid to such employees. Here again, regrettably, there is nothing in the material before this Board upon which such a comparison may be made and accordingly, no adjustment can be made. During 1962, the cost of fringe benefits to the C.P.R. for all their employees amounted, they say, to 39.3 cents an hour. Since then, there has been added for the benefit of their non-operating employees a "job security" program at a cost of 1 cent an hour. The comparable figures for the durable-goods group, unfortunately, are not before us.

4. Make an upward adjustment for the fact that there is now a slightly higher proportion (94 per cent as against 92 per cent) of male to female employees in the non-operating employees group (male wages being normally higher than female wages), and because the two major railways are the largest non-governmental employers of labour in Canada—larger than any firm in durable goods—(wages paid by large firms being normally higher than those paid by smaller ones).

Some evidence was presented on the relative proportions of skilled labour in the non-operating employees and those in durable goods, respectively, an important factor in wage comparisons. Unfortunately, however, the evidence was not sufficient to justify any conclusion as to their relationship.

5. Make a downward adjustment for the fact that a much higher proportion (89.1 per cent as against 60.7 per cent) of the durable goods employees live and work in the three industrial provinces of Quebec, Ontario and British Columbia, where higher wages prevail, and for the fact that a higher proportion (77.2 per cent as against 67.8 per cent) of the durable goods employees live and work in urban centres in Canada where higher wages and higher living costs prevail.

6. Bear in mind that an increase in hourly wage rates will produce an increase in earnings greater than the amount of such increase in rates.

7. Consider whether or not the wages paid to the non-operating railway employees at the end of 1963 bear a fair and just relationship to the wages paid to employees in the durable-goods industries at that time, after adjustment for the factors referred to above. The answer to that question must be, I think, in the negative. The railway employees in Canada were in existence as a group and were organized in unions years before the modern development of the durable-goods industries. For many years, the railway non-operating employees were among the better-paid workers in Canada.

Despite a later beginning, the organized workers in Canada's durable-goods industries have in the past decade outstripped the average annual earnings of the non-operating railway employees. This is a position which, understandably, does not meet with the approval of such railway employees. This wage situation doubtless resulted in part from the financial position of the Railways during those years. The non-operating employees now ask to share in the present improved financial position of the Railways. There is, I think, merit in that proposition. But to expect any substantial lag that may have occurred over the years to be corrected all at one time is neither reasonable nor practicable.

8. Consider the wage increases contracted to be paid to durable-goods employees during the years 1964 and 1965. From the limited material before the Board, it seems clear that such wages will increase during 1964 and 1965. On the basis of such limited material, it would appear that average hourly wage rates in durable-goods industries will likely increase by not less than 10 cents an hour by the end of 1965.

9. Consider whether or not the new contract is to contain additional items of cost, apart from wage increases, for which the employers must find the necessary funds. While the recommended improvements in the Health and Welfare plan may ultimately result in increased contributions by the Railways, the existing surplus in the fund is sufficient to pay the cost of the increased benefits up to and beyond the end of 1965.

10. Consider the economic and competitive position of the Railways. Since this Board last met in 1962, the financial position of the Railways has improved as increased demand for transportation developed from the increase in national output. The number of revenue freight cars loaded has increased substantially. Net railway earnings of the Canadian Pacific Railway Company after taxes, but before fixed charges (exclusive of earnings of non-railway subsidiary companies and exclusive also of earnings of telecommunications), amounted in 1963 to over 35 million dollars. I quote from the Canadian Pacific Railway 1963 Annual Report, at page 6:

Net railways earnings, at \$35.3 million increased \$6.3 million over 1962. This increase results from the inclusion in the 1963 accounts of the \$3.0 million net after taxes received from the Government of Canada in 1963 but applicable to the year 1962.

The net railway operating income for Canadian National Railways in 1963 was five million dollars, an improvement of nearly \$11 million over 1962. I quote from the Canadian National Railways 1963 Annual Report, at page 2:

Railway operating revenues increased \$23.6 million, or 3.4 per cent, to \$725.2 million, while expenses, at \$720.2 million, were \$12.8 million, or 1.8 per cent, higher than 1962. The resulting net railway operating income of \$5.0 million represented a \$10.8 million improvement over the \$5.8 million operating loss in 1962. Other income, together with net income from hotels, telecommunications and separately operated trucking companies, amounted to \$16.2 million, producing a surplus of \$21.2 million.

If one looks at the entire enterprise of the Canadian Pacific Railway Company rather than at its railway operations alone, one finds further evidence of prosperity, which is reflected in the rise in the price at which its shares are presently traded on the stock market. As one investment analyst expressed it: "The CPR balance sheet is strong, and improving appreciably each year ... (It is) sure to increase its volume with the growth of the country." Looking ahead for the years 1964 and 1965, one can I think, reasonably anticipate further increases in gross railway revenue.

On the other hand, the output of the railway industry since the end of World War II has not increased nearly as much as the output of the transportation industry as a whole, due to the rise of competition from other forms of transportation such as trucking, pipe lines, air transportation and private automobiles. The Railway, like most other business establishments in Canada, remain in an intensive competitive struggle. The people of Canada for many years, through successive governments at all levels, have in effect used public funds to subsidize the railways' competitors by building roads, airports, canals and pipelines, and in providing services, while at the same time burdening the Railways with costly statutory and regulatory obligations. The MacPherson Royal Commission recommended a transfer of this burden of public policy to the taxpayer, where it properly belongs. Since then, substantial interim payments have been made from the federal treasury to the Railways on that account, but the full recommendations have not yet been implemented by legislation.

11. Consider the economic conditions in Canada, viewed as a whole. Canada is now in a period of economic expansion. The expansion that began in 1961 and has continued, and present evaluations indicate that this

expansion will continue throughout 1964 and 1965. The gross national product for 1962 was 7.9 per cent higher than that of 1961 in current dollars and 6.1 per cent higher in constant dollars, based on 1957. Similarly, the gross national product for 1963 rose by 6.6 per cent in current dollars over 1962 and by 4.6 per cent in constant dollars. It is expected that capital spending in Canada during 1964 will exceed that of 1963. Many leading business men have predicted increases in industrial production and in the gross national product during 1964. The authorities quoted to us are quite optimistic about the outlook for 1964 and 1965.

12. Consider the actual or anticipated rise or fall in the consumer price index. During the period December 1961 to December 1963, the index rose from 129.8 to 134.2, an increase of 3.4 per cent. During the same period, average hourly earnings of non-operating employees increased by about 5 per cent. The index has risen an average of one-tenth of a point each month thus far in 1964. That it will continue to rise during 1964 and 1965 seems probable.

On the basis of these twelve considerations the Chairman made the following recommendations:

1. that the hourly rates of pay in effect on December 31, 1963 be increased over the two-year life of the contract in the following manner:

- (a) Six cents per hour effective January 1, 1964;
- (b) An additional three cents per hour effective July 1, 1964;
- (c) A further two per cent effective January 1, 1965;
- (d) An additional three per cent effective July 1, 1965.

2. That the Health and Welfare Plan be revised to increase the weekly indemnity from \$40 to \$50, and to provide life insurance for each participating employee of \$1,500 instead of the \$1,000 in effect at that time.

The nominee of the unions on the Board, Mr. David Lewis, concurred with the Chairman's recommendations. On July 10, 1964, the unions accepted the majority report, but the railways rejected it. In a letter to the Prime Minister dated June 22, 1964 the Presidents of the Canadian Pacific and the Canadian National railways explained why they could not accept the Board's recommendations. The letter also contains a brief history of government-railway relations and their implications for labour-management relations. Although some of the issues referred to in the letter have been dealt with elsewhere in this study, its total content provides an insight into some of the problems faced by the railways in their relations with the government on the one hand and the unions on the other. Therefore, it is deemed advisable that the letter be presented in its entirety.

MONTREAL, June 22, 1964.

Dear Mr. Prime Minister:

We write to apprise you of a situation developing which may bring about a suspension of railway services in Canada.

On May 20, 1964, the Munroe Conciliation Board, appointed by the Minister of Labour to inquire into a dispute between the Railways and their non-operating employees, submitted a majority report recommending wage increases during 1964 and 1965 totalling approximately 19.1 cent per hour or \$32.50 per employee per month. This would add to the wage bills of Canadian National and Canadian Pacific amounts estimated at \$18.2 million for 1964, \$39.0 million for 1965 and \$46.3 million for each succeeding year.

This was the latest of a series of Conciliation Board Reports which have dealt with disputes between the Railways and their non-operating employees on a biennial basis since World War II. Between 1946 and 1959 these employees secured increases in wages, fringe benefits, or both, on seven successive occasions. To cover the added costs involved, the Railways applied to and received authority from the Board of Transport Commissioners to make general increases in freight rates, the last of which was an increase of 17% effective December 1, 1958. Because this series of general freight rates increases gave rise to allegations of discrimination and inequities in the freight rate

structure, in March, 1959, the Government announced that no further general increases in freight rates would be permitted pending study by a Royal Commission to be appointed to inquire into railway transportation in Canada. On May 13, 1959, the MacPherson Royal Commission was appointed under terms set forth in PC. 1959-577.

Subsequently Parliament enacted the Freight Rates Reduction Act with effect from August 1, 1959, under which the 17% increase in freight rates of December 1, 1958, was rolled back to 10% and the sum of \$20 million per annum was provided to compensate the Railways for the loss of revenues therefrom. On May 2, 1960, by Order of the Board of Transport Commissioners, the 17% increase was further rolled back from 10% to 8%.

In 1960 the non-operating employees made further demands upon the Railways. The Conciliation Board which dealt with that dispute recommended wage increases totalling some 14 cents per hour together with improved vacation benefits. The Railways rejected the report and a strike called for December 3, 1960, was averted by Parliament which passed the Railway Operation Continuation Act preventing strike action until May 15, 1961. In the meantime, in March, 1961, the MacPherson Royal Commission submitted the first volume of its report. The Government decided, pending receipt of the complete report, to make interim payments to the Railways related to the recommendations of the Royal Commission in the amount of \$50 million per annum. The dispute between the Railways and the non-operating employees was settled on the basis of the majority report of the Conciliation Board and the Railway Operation Continuation Act lapsed.

The second volume of the MacPherson Royal Commission Report was released in January, 1962. In the meantime, the non-operating employees had made further demands in respect of the years 1962-63. That dispute was settled on the basis of the unanimous report of a Conciliation Board which added 9 cents per hour to Railway payroll costs. The Railways accepted the report and undertook the added costs involved which, together with increases accorded running trades employees, totalled some \$31.7 million on a recurring annual basis, in anticipation of legislative action to implement the recommendations of the Royal Commission. As you are aware, such action has been repeatedly delayed.

In the meantime, however, Government has further circumscribed the ability of the Railways to raise added revenues to meet increased costs and, indeed, has impaired their sources of revenues. On May 7, 1959, by Order in Council PC. 1959-569, the authority granted by the Board of Transport Commissioners, sustained an appeal by the Supreme Court of Canada, to apply demurrage charges on cars loaded with grain consigned

to terminal elevators in Western Canada, was suspended and has remained so ever since. By an amendment to the Railway Act, on August 1, 1961, the statutory rates covering the movement of grain and grain products in Western Canada enacted by Parliament in 1925, were made applicable to rapeseed as well. This was done after the Board of Transport Commissioners had dismissed an application that rapeseed be classed as grain. As a result, this artificially low level of rates which is applicable to so large a segment of the Railways' traffic and which has become increasingly onerous in the face of rising costs, was not only continued but, indeed, extended with impairment to the revenue position of the Railways. On March 30, 1961, by Order in Council PC. 1961-497, increases in the At-and-East grain rates authorized by the Board of Transport Commissioners which found the rates in effect to be below cost, were suspended. Successive Orders in Council have continued this suspension, currently until December 31, 1964.

Throughout the post-war period the Railways have necessarily had to accord operating and other employees increases in wages and fringe benefits generally comparable to those secured by the non-operating employees. Recently material prices which had been relatively stable for some time have started to move upwards.

Incidentally, although the Railways have continued in effect the reductions in freight rates brought about by the Freight Rates Reduction Act, and while the Government has given assurance of its intention to place before Parliament the matter of payments at the same rate as last year, this has not yet been done and the Railways have not been in receipt of interim payments since December 31, 1963, or payments in respect of the Freight Rates Reduction Act since March 31, 1964.

More recently, the Minister of Transport has stated that no branch line abandonments in Western Canada will be permitted pending enactment of legislation based on the MacPherson Royal Commission Report.

Thus the Railways find themselves by the action of Government deprived of authority to raise added revenues to meet increased costs and circumscribed in their ability to effect economies through the discontinuance of unremunerative operations. Under these conditions, they cannot undertake the responsibility of assuming added costs of the magnitude implicit in the majority report of the Munroe Conciliation Board.

Even though rejection of the report may inevitably lead to a railway strike, existing circumstances leave us no alternative. Before taking this action, however, we felt the matter should be placed before you. We will be available

for a meeting with you to explore the situation further if that should be desired.

Yours truly,

D. Gordon (Sgd.)
Chairman and President
Canadian National Railways

N.R. Crump (Sgd.)
Chairman and President
Canadian Pacific Railway Company

The Rt. Hon. L.B. Pearson,
Prime Minister,
OTTAWA 4, Ontario.

On June 30, 1964, the Prime Minister replied by telegram to the above letter as follows:

The letter which you sent forward on June 22, dealing with the wage negotiations between the Railways and their non-operating employees and the report of the Conciliation Board on this matter, has been studied with great care. The Federal Government is aware of the difficulties for the Railways which are inherent in this situation.

The Government has indicated to you its firm intention to proceed with new railway legislation which will satisfy major objectives of the report of the MacPherson Royal Commission on transportation. At the same time, it is recognized that, while the resolution preceding introduction of this legislation is awaiting consideration by Parliament, other items of parliamentary business must be dealt with first. This makes it likely that some time will pass before the MacPherson legislation can be considered by Parliament.

In these special circumstances the Government would undertake to review the situation in six months' time. This review would take place in the light of an impartial examination of the costs of a wage settlement by the Railways in the situation described in your letter, so that the Government would be afforded an opportunity to decide what additional temporary financial adjustments would be justified to assist the railways during the period up to the coming into effect of the proposed new railway legislation.

L.B. Pearson

The railways advised on July 7 that they were prepared to meet with unions for the purpose of negotiating an agreement on the basis of the recommendations of the Conciliation Board. The Unions also confirmed that they would meet with the companies' representatives on July 16 in an effort to conclude an agreement.

On July 17, 1964, it was announced that the parties had settled the dispute on the basis of the majority recommendations of the Conciliation Board.

3. THE 1966 CONFLICT

Reference was made earlier to the withdrawal of the Brotherhood of Railway, Transport and General Workers from joint negotiations with the other non-operating unions in 1963-64. The decision of the Brotherhood not to join with the remainder of the non-operating unions was consequent on policy disagreements regarding wages and employment security. The unions of the skilled proposed wage demands which would have given proportionately greater increases to craft workers; whereas the Brotherhood wanted flat rate cents per hour increases and emphasis on employment security. These same differences emerged during the preparatory conferences of the unions for the 1966 negotiations, and the result was a split of the Association of Non-Operating Railway Unions into three groups: Railway Shop Craft Unions (10 unions); the Canadian Brotherhood of Railway, Transport and General Workers; and the Residual Group of non-operating employees, which was constituted of 7 unions.

The most plausible explanation for the split is that the executive officers of each group were under pressure from below to include in their

demands items peculiar to their groups. The unions represented in the Association of Non-Operating Railway employees have always differed on the issue of the nature and magnitude of wage increases to be sought, and on whether employment security should be given priority over increases in wages. Considering the mix of occupations represented by them, it is natural that there should be conflicts about priorities. But this is the first time in almost two decades that they were not able to compromise in the process of hammering out a package of items common to all of them. A demonstration of the reality of "pressure from below" was provided by shop craft employees when they rejected the terms of settlement agreed upon by their representatives even though there were included in them skill differentials that were not given to other groups. It would appear that a majority of craftsmen felt that the time had come when labour unity must be sacrificed for the restoration of wage differentials to their "proper" levels.

The actual policy differences that caused the split are reflected clearly in the individual demands of the three groups:

(a) The Residual Group, which represented about 51,000 telegraphers, signalmen, maintenance-of-way workers, freight handlers, expressmen, clerks, station employees, and sleeping and dining car porters, demanded increases in wages of:

- a) 12½ per cent plus 27 cents an hour for all employees
represented by the group;
- b) An additional 10 per cent to employees engaged in
regularly scheduled night work; and

- c) An additional 20 per cent for skilled workers.

It is estimated that such increases would have raised the average hourly wages of skilled workers in the group by \$1.04, and those of other workers by 55 cents.

- (b) The Railway Shop Craft Unions, which represented about 22,500 machinists, electricians, plumbers, boilermakers, carmen, etc., demanded:

- a) 23 per cent increase in the wage rates of all employees within their group; and
- b) An additional 30 per cent to those employees of the group who worked as mechanics—"to compensate for their skills, and to eliminate wage inequities between the various classifications of mechanics."

These increases would have raised the rates of those who were employed as mechanics by \$1.29 an hour, and the rates of the remainder by 57 cents an hour.

- (c) The Canadian Brotherhood of Railway, Transport and General Workers, which represented about 20,500 freight handlers, expressmen, clerks, station employees, and dining and sleeping car porters employed mainly on the Canadian National, demanded an increase of 90 cents an hour to all employees regardless of skill.

On non-wage issues there appears to have existed agreement amongst the unions on all important items but one. The C.B.R.T. and G.W. and the Residual Group demanded the establishment of a Work Stabilization Plan which would have provided that each calendar year employment in each craft or class of employees would be no lower than the total number of straight-time hours provided in the immediately preceding year. Evidently, to shop

craft workers employment security is not as important as it is to some of the other non-operating employees, and hence they were not willing to trade off some of the possible increases in wages for work stabilization. Considering that many of the skills employed in railway car shops are in demand in scores of other industries, it is understandable why they would place a relatively low priority on work stabilization plans.

A. The Conciliation Proceedings

As has been the practice in the industry, the parties met only twice prior to the institution of conciliation proceedings, and the evidence is that what transpired at those meetings cannot be classified as "bargaining". The unions assert that the responsibility for this rests with the railways, since they refused to make any counter-proposals. The railways on the other hand maintain that the absence of bargaining should be attributed to the unwillingness of certain influential union leaders to negotiate. Apparently, the unions consistently conveyed the impression that their demands were not subject to negotiation.

There is a degree of truth in both assertions: in the knowledge that the issues will be referred to conciliation, neither party wished to appear at the proceedings with part of its advantage "given away" in prior exchanges. The railways know that whatever counter-offers they make will become the floor when conciliation proceedings begin; and union officers know that the level to which they reduce their demands will become the new maximum.

The considerable demands made in 1966 were largely related to two developments: the substantial increases in pay obtained by longshoremen

in Quebec and by workers on the St. Lawrence Seaway, and the substantially improved financial position of the railways. In 1963 the net income (before taxes) of the Canadian Pacific Railway was \$63 million; in 1964 it rose to \$102 million and in 1965 it stood at \$101 million. Also, the average hourly earnings of Non-Operating Railway Employees lagged behind those of employees in Durable Goods Manufacturing Industries by 10 cents at December 31, 1965, and it was expected that the latter would receive increases of about 10 cents an hour in each of the years 1966 and 1967. During the conciliation proceedings references were made to all of these factors.

In his report relating to the dispute between the railways and the Residual Group of unions, the Chairman of the Conciliation Board 1/ declared that the first of the above factors was of no relevance to this dispute, since the settlements in question were of a local nature, and their outcome entailed special circumstances. His recommendation regarding wage increases was based on the Durable Goods Standard adjusted for the twelve factors considered by him in his 1964 recommendations. The average hourly earnings of the employees represented by the unions in this group at December 31, 1965 were \$2.19. This compares with average hourly earnings of \$2.33 in Durable Goods Manufacturing Industries. By adding to this difference of 24 cents an hour the anticipated gain of 10 cents an hour in each of the years 1966 and 1967, he estimated an advantage of 44 cents an hour by sometime in 1967 for the durable goods group. In an effort to close this gap he recommended a series of four increases which by July 1967 would have raised the average hourly earnings of the railway employees involved by 40 cents. He expressed the view that changes in

"skill mix" and the payment of premium rates would raise the increase to more than 44 cents an hour by the end of 1967.

On the proposal for the stabilization of the work force at an arbitrary level, the Chairman commented that this plan was the same as that submitted by the unions in 1962, which resulted in the establishment of the job security programme. It was his opinion that "the long-term interests of the railway companies and of their employees will not be served by anything which impedes efficiency and modernization of operations. To require the railway companies to employ people for whom no work is available could only lead to disaster for employer and employee alike ..." Just as the railways must be expected to minimize the adverse effects of changes in working conditions upon their employees, so must the unions avoid the imposition of rules which would "imprison the railways within a system of obsolete or uneconomic methods and procedures."

The Chairman's report pertaining to the demands of the ten Railway Shop Craft Unions contained the same comments and the same recommendations relating to wages as those concerning the Residual Group. He commented on the fact that the average hourly earnings of the employees represented by these unions were \$2.37 at December 31, 1965, compared with \$2.33 in the Durable Goods Manufacturing Industries. In the absence of data regarding the occupational composition of the respective labour forces and other information relating to the characteristics of the functions performed by employees, comparisons of average earnings are, of course, mere guidelines.

Because the average hourly earnings of shop craft employees were higher than those of employees in the Residual Group, the same percentage increase

in rates was expected to bring a somewhat higher absolute amount, i.e., 43 cents an hour compared to 40 cents an hour. It was estimated that changes in skill mix and the payment of premium rates would raise the 43 cents an hour to more than 47 cents an hour in earnings by the end of 1967.

Regarding the demand for a 30 per cent increase in the rates of mechanics, the Chairman recommended that a special committee be established "to study the job content and skill requirements of employees receiving Class "B" rates of pay and to enquire into demands made by the unions before this Board." If within four months after the signing of a Master Agreement the parties could not reach an agreement on the issue, then the matter should be submitted to binding arbitration.

The Canadian Brotherhood of Railway, Transport and General Workers based its demand for 90 cents an hour increase in wages on the increase in productivity of railway labour, as reflected in the Revenue Ton Miles and Revenue Passenger Miles. Thus, for the first time since the late 1940's a union of non-operating employees rejected the durable goods standard and proposed an alternative. Regrettably the proposal was submitted to a Board chaired by an individual of limited knowledge of elementary economics, and as a result it did not receive the consideration that it deserved.

Each of the three members of the Board submitted a separate report. The Chairman rejected the Brotherhood's demand on the ground that an increase in wages proportionate to the increase in productivity will leave nothing for the other factors which contributed to the increase in productivity! To quote from the report:

It is a fallacy to suggest that all of the actual increased productivity should be allotted to labour, and be reflected entirely in increased wages. ... It is practically self-evident that other factors should be taken into consideration, such as increases of capital, new equipment and managerial ability.

This report contains all the elements that a Conciliation Report should not contain: it reflects deficient and inaccurate knowledge of the subject matter; in both tone and approach it is biased in favour of one of the parties; it fails to examine issues on the ground that they were already examined in relation to some other dispute. Such a report is more likely to alienate than to conciliate. Every reference to the proceedings conducted by the Cameron Board and to the Chairman's Report, particularly from the participants on the labour side, has been extremely critical. One union participant commented: "from the outset it became evident that he (the Chairman) was biased in favour of the railways, and incompetent respecting the subject matter. So, we decided to shorten the presentation and arguments in order to get a report out as fast as possible. We knew what kind of a report will come out of him, and we did not give a darn." When one of the parties assumes, or circumstances compel it to assume, such an attitude, conciliation becomes just another fruitless stage of the bargaining process that preceded it.

B. The 1966 Strike and Government Involvement

All non-operating unions rejected the reports of the Conciliation Board Chairmen, and having already received an overwhelming vote in favour of strike action, they set August 26, 1966 as the deadline for an agreement. In early August some wildcat strikes broke out, and although some efforts were still being made at negotiation, it was evident that a strike

was imminent; unless, of course, the government decided to abandon its highly questionable posture of "non-interference" with the process of "free collective bargaining."

The government's attitude was that it would not interfere as long as there existed any possibility of a settlement through negotiation. Under different circumstances such a policy would have been praiseworthy; in the existing situation there was no such possibility, and hence no basis for such a policy. It was evident to all concerned that direct government participation in the search for a basis for settlement was the only alternative to the strike taking place. The question was not really whether the government would become involved, but rather whether it would become involved before or after the strike.

The announcement by the Prime Minister on August 23 that Parliament was being reconvened on August 29 to deal with the impending strike can be interpreted to reflect a government decision to intervene after the strike had taken place. If its purpose was to frighten the parties to the negotiating table, under the then existing circumstances it must be regarded as a badly conceived move, more likely to strengthen the determination of the unions to proceed with their plans than to weaken their resolve.

It is difficult to understand why the government adopted such a policy. It is conceivable that the positions of both parties were so rigid as to cause the elimination of all alternative measures. In his address over radio and television on August 23, the Prime Minister declared: "the union position is that there can be no settlement unless their full demands are met. The railways claim they are in no position to increase wages so

long as they are restricted by law, as they are, from adjusting the charges they make for their services, thereby increasing their earnings." The question arises what would have been the chances for the resumption of negotiations if the government had acted to enable the railways to raise their charges, or to facilitate an increase in their ability to pay by some other compensatory means. It is somewhat illogical to recognize the problem as being in part consequent on the government's own restrictive measures relating to railway operations, and then adopt a policy of non-intervention.

Nevertheless, the government decided to serve notice on the parties that it will allow the strike to take place, but will not allow it to last long. This is an indefensible position: if an industry is so vital to the nation that no interruption in its operations can be permitted, then the necessary legislative measure should be introduced to facilitate an alternative way to the settlement of labour-management disputes. It is difficult to find support for a policy which states, as the Prime Minister did, that union leaders have the right to call a strike, that it is a serious matter to interfere with that right, but "the right to strike must always be subordinate to considerations of national security and the common good."

The second railway strike in sixteen years commenced as scheduled on August 16. As in the case of the first, Parliament was called to a special session and presented with a Bill (C-230)--"an Act to provide for the resumption of operations of railways and for the settlement of the existing dispute with respect to terms and conditions of employment between railway companies and their employees." The Bill provided for an interim

increase in wages on the basis recommended by Mr. Justice Munroe, and ordered the railways and the unions to resume negotiations. Also, provision was made for the appointment of a mediator to assist the parties in their efforts to reach a settlement. If no settlement was reached by November 15, and the mediator reported no significant progress, then the issues in dispute would be referred to a three-member Board of Arbitration whose decisions would be binding. Alternatively, if the mediator reported on November 15 that satisfactory progress was being made in negotiations the deadline would be extended.

The provision for mediation, and failing that, compulsory arbitration proved to be a well conceived sequence of steps towards the resolution of the dispute. The parties were compelled to demonstrate their preference for the process by which they would have their differences settled: collective bargaining or compulsory arbitration. The outcome suggests that they elected collective bargaining. Under the guidance of the Mediator, Mr. Carl H. Goldenberg, the parties engaged in "continuous and meaningful negotiations." To many of the participants this was a new experience: they were accustomed to meaningless exchanges, and now rather suddenly both sides discovered the art of genuine bargaining. A rather encouraging consequence of this has been a professed determination on the part of some of the participants to make collective bargaining an effective process on the railways. They are the more encouraged by the fact that on a number of occasions when Mr. Goldenberg arranged bargaining sessions and then failed to appear, serious negotiations did take place in his absence.

On November 30, 1966 a Memorandum of Settlement was signed by the shop craft unions which provided for a three-year contract and increases in wages of: 4 per cent retroactive to January 1, 1966; an additional 4 per cent retroactive to July 1, 1966; a further 7 per cent effective January 1, 1967; another 3 per cent on July 1, 1967; and an additional 6 per cent on January 1, 1968. Skilled tradesmen were to receive an extra 5 cents an hour on July 1, 1967, and another 5 cents an hour on January 1, 1968. In addition, a number of non-wage improvements in terms of employment were made, including longer vacations, increased life insurance, and extended weekly indemnity payments on account of sickness and accident under the Employee Health and Welfare Plan. The settlement also provided for negotiations to minimize the adverse effects on employees of any material change in working conditions resulting from the technological, organizational and operational changes. Issues not settled through negotiation were to be referred to compulsory arbitration. But in January 1967 shop craft employees rejected the settlement. This followed the appointment of an Arbitration Board under the chairmanship of Mr. Justice Wilfrid D. Roach, which ruled that shop craft employees should be awarded no more than what was recommended by the mediator, i.e., the provisions of the Memorandum of Settlement of November 30, 1966.

On December 17, 1966 a Memorandum of Settlement was signed by the Residual Group of unions which was subsequently ratified by the employees. It provided the same improvements in wages and other terms of employment as those contained in the settlement with shop craft unions, except for the skill differentials. Union officers were particularly pleased with the provision for the negotiation of the employment effects of technological, organizational and operational changes. It reads:

ARTICLE VII—TECHNOLOGICAL, OPERATIONAL AND ORGANIZATIONAL
CHANGES

1. It is agreed between the parties that on the introduction by the Company of technological, operational and/or organizational changes the following provisions will apply:

- (a) the Company will not put into effect any such change which is likely to be of a permanent nature and which may effect a material change in working conditions with adverse effects on employees covered by this agreement without giving as much advance notice as possible of any such proposed change to the unions concerned and, in any event, not less than 90 days if a relocation of employees is involved and 60 days' notice in other cases, with a full description thereof and with appropriate details as to the consequent changes in working conditions and the number of employees who would be adversely affected;
- (b) that it will negotiate with the Unions measures to minimize the adverse effects of the proposed change on employees, which measures may, for example, be with respect to severance, loss of wages, expenses of moving and travelling of employees required to relocate, retraining and the merging of seniority lists within organizations and/or such other measures as may be appropriate in the circumstances.

2. If the negotiations do not result in mutual agreement within thirty calendar days of the commencement of such negotiations, or such other period as may be agreed upon between the parties, the matter shall be referred immediately for mediation to a Board of Review, on which each of the parties will be equally represented by senior officers.

3. The Board of Review shall, within a fixed period to be determined by it, make its findings and recommendations. If such recommendations are not acceptable to either party, the matters remaining in dispute shall be referred immediately for decision to a referee selected by the parties, or, failing that, appointed by the Minister of Labour. The matters to be decided by the Referee shall not include any question as to the right of the Company to make the change, which right the Unions acknowledge, but shall be confined to measures for minimizing the adverse effects of the change; and if there is also a dispute with respect thereto, to the question as to whether such change would materially or permanently affect working conditions.

4. The decision of the Referee shall be final and binding.

5. These provisions do not cover cases where:

- (a) workers are affected by a recognizable general decline in business activity, such as a recession or by fluctuations in traffic;
- (b) the workers affected are casual workers subject to irregular employment because of the nature of the work they perform or seasonal employees outside their normal period of employment;
- (c) there is a normal reassignment arising out of the nature of the work in which the employees are engaged.

Contracts of three-years duration, providing the same improvements in wages and other terms of employment as those accepted by employees represented by the Residual Group of Unions, were also ratified by members of the Canadian Brotherhood of Railway, Transport and General Workers, and the Brotherhood of Railroad Trainmen.

REFERENCES

- 1/ Each member of the Board submitted a separate report. The Chairman was Mr. Justice F. Craig Munroe, and the members were Mr. H.S. Crowe (union nominee) and Mr. A.G. Cooper (nominee of the railways). The same Board in separate hearings dealt with the dispute involving the Shop Craft Unions; whereas a third Board, constituted of Mr. J.C.A. Cameron (Chairman), Mr. E.P. O'Neal (Union nominee) and Mr. A.G. Cooper (nominee of the railways) dealt with the dispute involving C.B.R.T. and G.W.

CHAPTER VII

CRITERIA FOR WAGE DETERMINATION—FURTHER COMMENT

1. INTRODUCTION

Most of the wage criteria used in the determination of the wages of railway workers were discussed in the course of examining the evolution of labour-management relations in the industry. There are two criteria, however, which featured prominently in every negotiation, and whose importance warrants some further analysis and comment. They are the ability of the railways to pay and comparative wages.

2. THE ABILITY TO PAY

There are virtually no occasions in the history of collective bargaining on the railways when changes in wages were agreed upon by labour and management in direct negotiation. 1/ The railways have always pleaded inability to pay, and on that ground have rejected every union demand for wage increases. The unions, on the other hand, have always rejected the ability to pay criterion, insisting that the wages and conditions of employment of workers in other industries performing functions similar to those of railwaymen are a more equitable criterion.

The question of which industries and occupations represent a fair and equitable basis for comparison always generated controversy. Indeed, one of the primary failures of Conciliation Boards was their failure to propose most emphatically that a comprehensive examination of the grading of railway workers be commissioned jointly by the railways and the unions, with a view to a more accurate assessment of the relative value of the different types of work performed.

Conciliation Boards usually interpreted the railways' argument to mean 'inability to meet the demands under the existing level of charges'. Hence in periods of generally rising prices and wages increases in wages were recommended, anticipating undoubtedly that increases in charges would be permitted. Since the railways seldom had any substantial reserves and because they could not absorb any wage increases without reducing the return to capital, third party recommendations of wage increases in effect transferred the decision as to the allocation of the increase in labour costs to the Government: the prevailing opinion being that wage increases were necessary, the railways could not afford them under the existing level of charges, and since the Government controlled railway charges it must decide how much of the burden should be transferred to the users.

After the 1920's the inability to pay argument assumed a more genuine meaning: it was no longer put forth entirely for the purpose of strengthening the case for increases in charges, for the railways had now become reluctant to offset wage rises by higher charges even if the government had let them, because of increasing competition from road transport. Hence the inability-to-pay argument assumed more and more the meaning of inability to pay under the existing physical organization of and the social and

statutory obligation imposed upon the industry, rather than under the existing level of charges.

The position taken by railway unions with respect to the railways' ability to pay was that payment to labour constituted a first charge on railway revenues. Furthermore, they argued that railway charges had risen much less than the prices of materials used by the railways, and accused management and the government of having succumbed to the pressure of shippers and industry to keep freight rates down: in effect this represented indirect subsidization of industry generally; if railwaymen were to accept lower wages than those prevailing in other industries it would mean that the burden of this subsidy was assumed by them. Their stand was, therefore, that before any consideration could be given to the ability to pay criterion as a determinant of their members' wages railway charges must be raised in step with the general level of prices. If such an action was contrary to the government's economic policy, that is, if the government was committed to ensure low cost transportation, then railway operations should be subsidized.

The weight given to the ability to pay criterion by third parties varied considerably: it depended upon the philosophies of those composing the Boards, the general state of the economy, the price level, and the trend of railway traffics. In periods of declining economic activity and prices generally the tendency has been to allow greater weight than in periods of economic expansion and rising prices, even though during the latter period railway profits might have shown some decline in comparison with previous years. Thus the effectiveness of the ability to pay criterion largely depended upon the trend of prices and wages generally: if

these were declining, as in 1921 and 1930, then the criterion was given weight, but when they were rising then it was outweighed by the pressures of rising comparative wages and the cost of living. At those times of rising prices its force was further reduced by the possibility of obtaining authorization for increases in charges. The conclusion is, therefore, that in periods of rising prices and wages generally the inability of the railways to pay caused some delay in obtaining wage increases and influenced the amount of increase recommended by third parties, but did not preclude an increase being granted.

Should third parties have given greater weight to the ability to pay factor? If so, what wages should be paid in an industry which is required to maintain a high level of efficiency, to operate some unremunerative lines, and to keep down its charges, so that it cannot pay its way?

The railways could augment their profits if they were permitted to operate as any other commercial enterprise. This would involve reducing substantially the extent of the services performed, and increasing charges wherever and whenever possible. But such actions are regarded as not in the public interest. Therefore, their relative unprofitability has been artificially induced in order to protect the rest of the economy from the effects of increases in railway charges. In short, the railways are compelled by the public to maintain unremunerative services, and to keep down their charges, in order to achieve economic effects different from those which would result in a free market. For the fact is that the railways could strike a balance between demand and supply at a higher profit level if they were allowed to operate on a purely commercial basis.

The deployment of the railways by the government as instruments for the implementation of economic policies, whether expressed in terms of fostering specific industries or enforcing the effectiveness of price policies, or both, has been accepted by the public for many years as being in the national interest, regardless of whether such deployment renders the railways incapable of meeting their operating costs. An example is the Crow's Nest Pass Agreement of 1897. This and other restrictions on railway charges and operations have impaired the railways' ability to earn revenue, and on occasion bore down on the wages of railwaymen. The Canadian Government was forced to subsidize the operations of companies which were in financial difficulties.

The involvement of the government in railway labour-management relations generally, and in wage determination specifically, was inevitable: frequently it became necessary to participate in the process of determining the conditions of settlement, and then allow increases in charges specifically designed to offset the increase in labour costs. Thus a precedent was established: the wages of railwaymen officially became a factor in the determination of railway charges, rather than being determined by them. Since the capacity of the railways to earn revenue largely depended upon the level of their charges, and since these were to be determined by the movement of wages, the railways could no longer claim inability to pay.

After the First World War Canadian governments were faced with the problem of finding ways and means to offset, reduce or assume the burden of the wartime increase in railway operating costs. The eventual solution of the problem was to instruct the body entrusted with the creation and

manipulation of the railways' rate structure to permit the necessary level of charges so as to ensure the railways a fair return to capital. Because more than one half of the railway mileage in Canada was publicly owned or in the process of being rendered so, the instruction to the Board of Railway Commissioners was to permit such charges as were necessary to meet the needs of the Canadian Pacific, "without taking into account the requirements of the Canadian National Railway System". 2/ The increases in labour and other costs were to be offset, therefore, by increases in charges. Because, however, the publicly-owned system had a higher cost structure than the Canadian Pacific, by virtue of having to perform some unremunerative but socially and economically necessary services, its operations were to be subsidized. To date this policy has remained substantially unaltered. In fact, because the government is committed to low charges for the conveyance of wheat, and because increasing road and water competition have been limiting the railways' ability to offset wage increases with higher charges, in 1958 the government was forced to extend a temporary subsidy to the Canadian Pacific to enable the company to meet the wage increases recommended by a Board of Conciliation.

What bearing does this policy have on the wages and conditions of employment of Canadian railwaymen? Clearly the ability of the Canadian National to pay is of no consequence; the subsidy extended to the Canadian Pacific appears to mean that as long as the government requires of that company the performance of certain services at charges unrelated to the cost of conveyance, and the company cannot transfer its rising costs to other users, the public will bear part of the burden. This policy—to offset increases in labour costs with increases in charges, and when this

is not possible to offset them with a combination of higher charges and subsidies—has enabled Canadian railwaymen to keep their wages in step with those of other industrial workers. The following pronouncements by Conciliation Boards provide ample evidence that this policy has been generally accepted: in 1950 Mr. Justice Wilson (Chairman of a Board) declared that the financial position of the railways should not be used as a basis to perpetuate unjust substandard wages or onerous working hours; if railwaymen deserved increases then these must be granted and the public must bear the cost. In 1956 another Board 3/ agreed with the above declaration, and suggested that the Canadian National was a more appropriate yardstick for wage determination than the privately owned Canadian Pacific, because it was owned by the people of Canada and hence its employees had the right to demand "that their standard be kept at a level with the nearest comparable standard in Canadian industry".

Considering the reasons for which the national system came into being—the reasons for, and basis on which scores of lines were brought into the system—it is natural that its ability to pay should have been of no consequence in the determination of wages and other conditions of employment. Equally, however, the system could not have been used as a pace-setter in the establishment of employment conditions. It is highly questionable whether a non-prosperous nationalized industry in which the level of wages and nature of employment benefits is independent of its ability to pay should be permitted to become a pace-setter. Since the deficits of such industries are borne by the National Treasury the size of wage increases may be determined by political rather than economic considerations, and hence may be beyond the capacity of the private sector to

absorb without an all round increase in prices. It is not suggested that in a mixed economy inflation is generated by state-owned enterprises whose labour costs are unrelated to their revenues, although there may be such a possibility.

In this matter of the railways' ability to pay their way the Canadian public has shown considerable reluctance to face the problem. In fact, throughout the period 1914-1966 Canadian governments and the public have maintained a "split-minded" attitude towards the railways: they have demanded the provision of excellent services, at restricted charges, and concurrently expected them to pay their way. It appears that the Canadian public has been accustomed to expect promptness and excellence in service, the operation of some lines regardless of their commercial merits, and the charging of rates and fares which seem reasonable to themselves, regardless whether such charges are reasonable to the railways.

Some of the socially imposed restrictions on the freedom of the railways to operate in the same way as any other commercial enterprise would remain, because they rest on the principle that the railways are common carriers and hence have a customary obligation to provide an efficient low cost service. The eradication of custom requires dictatorial measures—ruthless business practices, and in a democracy, politically suicidal legislation. To permit the railways to undertake ruthless cutting of services, charge what the traffic will bear, and discriminate between customers, would not be tolerated by the public; for obvious reasons legislation for the curtailment of services and freedom in charging policies and operations will not take place.

As long as social and legislative restrictions prevent the railways from operating in the same way as other commercial enterprises the nation must accept responsibility for the related deficits incurred by the industry. This principle prompted Lord Cameron (Chairman, Court of Inquiry on Dispute between British Railways and their Employees) to declare in 1955 that "the Nation has provided by statute that there shall be a nationalized system of railway transport, which must therefore be regarded as a public utility of the first importance. Having willed the end, the Nation must will the means". This statement, which is substantially the same as those expressed by Conciliation Boards in Canada in 1950 and 1956, came as a shock to the British public: yet it simply meant that the railways are performing a public service, and therefore, railwaymen are entitled to a "fair and adequate" wage regardless of the industry's ability to pay.

The issue of what is "fair and adequate" or whether railwaymen "deserve" wage increases could only be determined by the wages and other conditions of employment enjoyed by workers in comparable employment in other industries.

3. COMPARATIVE WAGE CRITERIA

Although collective bargaining has existed on the railways over a relatively long period of time, there is no evidence of any innovations in the terms and conditions of employment in the industry. The railways have always argued that as a regulated industry they could not lead the parade. Since this appears to be the policy of United States railways also, and since Canadian railways have generally followed the pattern set in the United States, the terms and conditions of employment negotiated

on have lagged behind those of most leading industries. The attitude of the railways appears to have been, "show us a railway in North America that has it and then we will talk about it. But it is not in the national interest for a regulated industry to establish precedents."

The application of the comparative criterion in the negotiation of terms and conditions of employment presupposes the existence of industries and occupations with which comparisons can be made. On the railways this has been a difficult problem: some of the occupations utilized in the industry are unique—they have no counterparts in other industries; and the industry itself is unlike any other, both in terms of the occupational mix of its labour force, and the location of its operations. In addition, there is no evidence of joint action by labour and management to establish a catalogue of comparable occupations and industries. There appears to exist a genuine reluctance to commit themselves in advance to any standard, regardless how flexible it might be.

Commitment to a comparative standard has been interpreted to mean a commitment to adopt all changes in terms and conditions of employment introduced in the recognized industries. The fact that the comparative standard is only one of a number of criteria bearing on the determination of wages and conditions of work is of no consequence. Representatives of management refer to the persistent demands of the unions of non-operating employees for increases in pay equal to those obtained by workers in durable goods industries as an example of what might be expected if agreement were reached on a common comparative standard.

When the comparative criterion is given most of the weight in the determination of wages and other terms of employment in a given industry, the standard of comparison must be flexible, and the parties must agree to its continuous revision by an impartial agent. Firms change in size and activity, and so do the sizes and occupational compositions of their labour forces. Also, although the classification of occupations remains unchanged over long periods of time, their skill content may change rapidly and substantially. Therefore, the adoption of an inflexible standard of comparison is more likely to impede rather than contribute to the improvement of the collective bargaining process.

The selection of industries and industrial occupations for comparison with the railways and the occupations of railwaymen has proven a most difficult task. Although the durable goods industries taken as a group have been the most frequently used standard, at no time have the two parties recognized it as the most equitable measure. Its acceptance by either the railways or the unions during the past twenty years depended upon whether the average wages of the relevant group of railway workers were above or below the average that prevailed in the durable goods industry: when they were above, the railways proposed the standard; when they fell below, then the unions recognized it as the most equitable measure.

When the unions accepted the durable goods standard, the railways sought to justify the monetary disadvantage in the wages of their employees on the basis of certain amenities that railway employees enjoy, which to non-railway workers represent an expense—free travel and uniforms. Also, on occasion the greater regularity of railway employment was stressed. To this argument, employee representatives usually countered with the fact

that some railway employees bear greater responsibilities, undergo long periods of training, and the employment of some, such as the workers of the running trades, is conditional upon the maintenance of a high standard of health.

It is significant, however, that external wage comparisons were in the main limited to non-operating employees; the wages of the running trades have always been subjected rather to internal comparisons—their relation to the wages of porters, signalmen, trainmen, and sectionmen—and to comparisons with their counterparts employed in United States railways.

A. The Durable Goods Criterion

In the immediate post World War II period, upon the insistence of the railways, the wages prevailing in the durable goods industries taken as a group, were adopted as a standard of comparison in determining wage adjustments for non-operating railway employees. At that time railwaymen had on the average a small advantage over workers in durable goods industries.

By the mid-1950's, however, the more rapid rise of productivity in durable goods industries facilitated an increase in the wages of their employees which the railways found difficult to match. The unions of the non-operating employees on the other hand, who had opposed the criterion when it was first proposed by the railways, rested their claims for wage increases entirely on the advances received by workers in the durable goods industries.

In rejecting their durable goods standard, the railways explained that "experience had convinced them that they could no longer live with it," and urged Conciliation Boards to substitute it for "the average earnings of all workers in the labour force in Canada". 4/ Even that average, they suggested, should be considered as a mere guide rather than a determinant, submitting that "the proper criterion is that wages should meet a reasonable standard of adequacy within the community wherein the industry operates and any excess of wages over this standard must depend on the railways' ability to pay." 5/

The first Board of Conciliation to which this argument was presented 6/ rejected the proposed standard, declaring it to be "not only unprecedented in railway disputes and any other disputes in Canada,...(but also) rather illogical and inconsistent." 7/ Amongst the factors which made the proposed standard unacceptable as a measure of occupational comparability was the fact that whereas 27.4 per cent of the total labour force was constituted of women, only 6 per cent of the non-operating railway employees were females. Declaring that "there cannot be only one criterion governing wage determination," the Board set out the following as determinants: a proper standard of comparison; the pattern of wage increases obtained by various occupations since the last wage increase granted to the employees involved; movement of the cost of living; and finally, "in appropriate circumstances, the ability of an industry to pay may also be of governing relevance."

Regrettably, the Board did not pursue the matter to a satisfactory conclusion. Appropriately, it should have proposed an interim settlement, and on the meantime undertaken, or recommended that the parties commission jointly a study of occupations comparable to those utilized on the railways.

At the end, the railways rejected the durable goods standard; the Board rejected the alternative standard proposed by the railways; suggested a number of factors that should be taken into account in determining comparability; and recommended a basis for settlement, without resolving the dispute regarding the comparability of the durable goods industries. The response of the Board to the challenge of this issue is characteristic of all Conciliation Boards that have dealt with labour-management disputes on the railways.

B. The Comparability of Jobs

In view of the continuing controversy regarding the appropriateness of the durable goods standard, it is a reflection on the state of labour-management relations that the parties have not found it possible to commission jointly a study on the issue of comparability. Their respective presentations before Conciliation Boards, and statements in private, indicate that they are conscious of the need for more detailed information regarding the component parts of the different jobs performed by railway workers, and for greater knowledge about the characteristics of jobs in other industries with which comparisons can be made. Yet they have failed to co-operate on the issue.

Two reasons have been suggested for this failure: first, on the basis of the lessons learned from the durable goods standard, both labour and management are apprehensive lest any agreed upon standard assumes the role of a primary determinant of wages and other terms of employment. Neither party would wish to commit itself in advance to a proposition which would exclude from consideration or reduce the significance of factors

which might favour it at a given point of time. Second, there exists some uneasiness regarding the possible revelations of a job comparability study: union leaders are concerned lest it reveals that some of their members have higher wages than they should, justifying their adjustment downward; and the railways are equally concerned lest the findings justify demands for substantial upward adjustments in wages.

Nevertheless, the contribution of the durable goods standard to the state of labour-management relations in the industry during the past twenty years suggests the urgent need for a more acceptable comparative criterion. Comparisons of wages and salaries between industries, occupations, and grades of occupations cannot be meaningful unless it is established that they have common characteristics. The tasks involved in comparative jobs—main as well as subsidiary tasks—must entail the same degree of knowledge, responsibility, initiative, and so on. In brief, for each job there should exist a catalogue of characteristics such as: 8/

1. Whether the job is routine and repetitive;
2. Whether there are specific instructions for every aspect of the job;
3. Whether there is any scope for individual initiative;
4. Whether the job is supervised and to what extent;
5. Is the job related to other jobs, and the extent to which its occupant oversees or co-ordinates other jobs;
6. If the answer to (5) is yes, then how many subsidiary jobs are there, and at what level are they;
7. The responsibility of the job with respect to:
 - a. Machinery
 - b. Equipment
 - c. Materials
 - d. Decision-making
 - e. Confidential information

8. Whether the job demands excessive physical and/or mental strain;
9. Extent of mental and physical effort required;
10. Whether the work involves direct dealings with the public—on full-time basis, part-time, or only occasionally;
11. The extent to which the work is regular or irregular—shift work, week-end work, night work, work on holidays, irregular hours, etc.;
12. The extent to which the job requires in-service training.

In addition, information of a more general nature should be available for each job. For example, it is important to know whether, and how much, clerical work is performed by non-clerical occupations; whether and how much responsibility the individual has for the maintenance and service of the machinery and equipment with which he works; whether and the extent to which the work is checked and inspected by someone else; whether the individual has authority to hire, dismiss or discipline others; whether the individual has authority to act on matters not covered in the established rules and regulations. Only after the characteristics of each job are catalogued can comparisons be made on relatively valid bases.

C. The Comparability of Wages

Having established a catalogue of comparable occupations and grades of occupations, the next task is to relate the remuneration of jobs in the railways to that of jobs in other industries with which comparisons are to be made. But before this can be done a decision must be taken regarding the most appropriate measure of remuneration.

There is disagreement between the parties as to whether basic rates or average earnings constitute the most equitable measure. The unions

have usually held that the proper basis for comparison with other industries are basic rates of pay; whereas the railways have held that average earnings were a better measure, since they reflect the conditions of work in the industry, which bear on the amount of 'take home pay' for the work performed, and are the relevant measure of the worker's standard of living. But this is a relatively minor disagreement. The more important problem is to find jobs which are sufficiently similar as to permit the use of the pay they command (whether rates or earnings) for comparisons.

In the absence of a catalogue of comparable occupations, the practice on the railways has been to compare the average wages of all non-operating employees with the average of the durable goods industries taken as a group. It is hardly necessary to dwell on the many reasons that make this a most unsatisfactory method of comparison. Suffice to say, averages hide the differences in the respective labour forces, and many of those differences reflect the unique characteristics of the respective industries, which should be reflected in their wage structures. It would appear, however, that the dissatisfaction with the method has not reached the point to compel the parties to undertake the establishment of a catalogue of comparable occupations and grades of occupations.

4. THE UNITED STATES-CANADA WAGE PARITY PRINCIPLE

The wages and other terms of employment in effect on Canadian railways have been influenced to a considerable extent by those in effect on United States railways. Not only have Canadian railwaymen sought to revise their employment contracts whenever their counterparts across the border obtained improvements in theirs, but also they pressed for identical terms of employment. Many of them, and particularly the workers of the running trades,

have consistently refused to recognize the terms of employment of other Canadian industrial workers as a standard of comparison, insisting that the only truly comparable wages are those paid to their counterparts employed in United States railways.

The argument for parity is well known: work that is equal must command equal pay. But this is not as simple an issue as the statement may imply. A number of rather difficult questions arise: how does one measure "equal work"? in terms of the functions performed; equal in intensity; equal in terms of the value of output produced; or equal in terms of the skills possessed by the workers concerned? The interpretation given the principle by its labour propagators is the last one: equal pay for the same type of work measured in terms of the skills of the workers concerned.

Assuming that the principle of equal pay for the same type of work is recognized as an equitable basis of wage comparisons within a country, the question arises whether it would be justified to apply it in wage determination in different countries. In the case of our concern, most railway workers in the world possess basically the same skills and perform basically the same tasks. However, a distinction may be warranted between workers operating trains in densely populated areas, such as Chicago and New York, and those operating in sparsely populated areas such as Northern Ontario and the Prairies. The question arises then whether all Canadian railway workers should get a pay equal to that of their American colleagues.

In inter-country comparisons the skill or the nature of work are not an adequate standard for wage determination. Each job must be considered

in relation to each of the other within the occupational structure, and the contribution of all to the value of the product must be determined. Also, there exists a relationship between the rates paid to the workers concerned and the wage structure in related industries within each country. There are in each country different price structures, different structures of interest charges, and different federal, state (Provincial) and municipal taxes, all of which are somewhat reflected in the respective wage structures.

The demand for parity with United States railwaymen is based on a number of factors, some of which are real and other illusory. In addition to the fact that responsibility, risk, skill, climatic conditions and other characteristics of the physical content of the various jobs of railwaymen are the same in many areas in the United States and Canada, the employees of United States railways operating in Canada and of Canadian railways operating in the United States are paid United States rates. Another real factor is the fact that before 1918 parity was maintained in many areas on the basis of convention, and in that year it was given formal recognition with the application in Canada of the "McAdoo Award". The principle was reaffirmed in 1920 when the "Chicago" award was applied fully on Canadian railways.

For several years after this important step (McAdoo Award), changes in rates in the United States were followed almost to the letter in Canada. The events of 1921 and 1922 provide a good example: early in 1921 the managements of United States railways requested the Railroad Labor Board to approve reductions in wage rates, since the increases put into force between May 1918 and July 1920 were proving unduly burdensome. As a

result, on May 31st the Railroad Labor Board ordered decreases of from 5 to 18 per cent as from July 1, 1921. The effect of this change in Canada was immediate. The Labour Gazette wrote: "As the rates of wages, rules, and working conditions on the railways in Canada have been in the main adjusted to conform to those in the United States, the railway companies in Canada gave notices in conformity with the various agreements with their employees terminating all such agreements with their employees on July 1, 1921, and made arrangements for conferences to adjust the details in accordance with the general changes contemplated." 9/ It will be noted that the change in both countries was put into effect on exactly the same date, July 1st.

Account should be taken of the fact, however, that the equalization in rates of pay in 1918 and 1920 was as much the result of labour scarcity as it was consequent on pressure by Government and organized labour. This was a period of rapid economic expansion in both countries, and in Canada two major lines were being built. Canadian railways would have found it most difficult to prevent their men from moving across the border if their wages were much lower than those of United States railway workers.

When there is considerable and continuous mobility of labour between the two countries, and the industry draws upon supplies of labour from the labour markets of both countries, then the rates of wages paid by all railway companies cannot, without inconvenient consequences, differ too widely. But even in such a common inter-country labour market, to say that the rates within the industry should be generally similar, does not mean that they should be absolutely identical, or that they should always move in unison.

The arguments against parity were: industrial output per man was higher in the United States; the wages of United States railway workers were geared to the general level of industrial wages, which was higher than the Canadian; to raise the wages of Canadian railway workers to parity with those of the United States would create a privileged class of workers and disturb the whole Canadian wage structure; the United States Government's freight rate policy was much more liberal than that of the Canadian; there were no statutory freight rates in the United States comparable to those of the Crow's Nest Pass Agreement; Canada is more sparsely populated; and the ratio of manufactured to bulky traffics was much smaller in Canada than in the United States.

In their demand for parity with United States wages, railway workers differ from workers in other areas of employment only to the extent of having pursued their demands relentlessly. Even professional workers—engineers, professors, nurses, physical scientists—who refrain from demanding outright parity with their counterparts across the border, seldom fail to make references to the salaries and fees prevailing in the United States. I have said elsewhere: 10/

The illusion exists that because we have about the same nominal unit of currency, i.e. the dollar (the difference in purchasing power disregarded), the same language, and the same industrial organizations, we should also have the same wages. The freedom and ability of Canadian workers to enter the United States labour market on an equal basis with the native labour force, the international unions, and the large number of United States subsidiary companies, whose administrative and physical structure is generally identical to that of their parent companies, are other similarities that have created the impression that wage levels should be the same in the two countries.

But many of these characteristics can be applied equally to comparisons with other countries: workers from Great Britain can enter the

Canadian labour market on an equal basis with the native labour force; many British industries have the same industrial organization as the North American ones; and there are in Great Britain many United States and Canadian subsidiaries whose administrative and physical structure is the same as that of their parent companies. Should these similarities be sufficient justification for British workers to demand wage parity with their counterparts in Canada and the United States?

5. THE PROBLEM OF NATIONAL RATES OF PAY

National rates of pay have been a continuous source of difficulty for both the unions and the railways. The majority of railway workers are employed in metropolitan areas, such as Montreal, Toronto and Winnipeg. Hence, it would be of advantage from the standpoint of recruitment, if the rates of pay for all occupations were equal to at least the average of the competitive rates prevailing in those centres. But, while such rates will reduce the recruitment difficulties of the railways in metropolitan areas, in most other cities, towns, and rural areas they will be substantially above the prevailing competitive rates for the same occupations.

Consequently, when formulating national rates of pay for all occupations employed in the industry from coast to coast, neither the competitive rates prevailing in metropolitan areas nor those in effect in rural and less industrialized areas can be taken as a standard—it is maintained that they must be neither as high as the former nor as low as the latter. The result has been a rate for each occupation that is somewhere in between the two competitive rates, and a seeming insoluble problem for both labour and management.

Because the contracted national rates are not competitive in metropolitan areas, the railways have faced continuous recruitment difficulties. Union leaders appear aware of the problem but could offer no solution. Indeed, they themselves are under pressure from their members employed in metropolitan areas to negotiate rates of pay which will reflect the higher cost of living in those areas, and which would be closer to the rates paid to their counterparts in other industries. On the other hand, those employed outside metropolitan areas regard regional and area differentials discriminatory and contrary to generally accepted labour policy of equal pay for equal work. Although union leaders recognize the existence of a conflict between principle and reality, and would wish in this instance to respond to the command of the market, they have not been able to find a way of satisfying the market without compromising the principle.

The principle of equal pay for equal or the same type of work has wide acceptance at all levels of the occupational stratum. Hence, unless it can be determined that the work in metropolitan areas is harder, entails greater responsibility, and generally is somewhat different, it would be difficult to convince the membership of a union to accept different rates of pay. The only possible way out of the impasse is to introduce metropolitan bonuses. It should not be as difficult to convince union members of the desirability to provide some extra compensation to those who live in metropolitan areas. From the standpoint of recruitment it would be desirable to introduce a bonus equal to the average differential between the prevailing competitive rates and the rates paid to railway workers. This is a relatively simple proposition, in effect in a number of countries where industry-wide national rates of pay are negotiated. There is no indication,

however, that it had ever been considered by Canadian railways as a possible solution to their problem.

REFERENCES

- 1/ The statement relates to railway workers only, i.e. it does not apply to hotel and restaurant employees of railways, trucking employees, steamships, or the Police Association.
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CHAPTER VIII

THE NATURE OF COLLECTIVE BARGAINING ON THE RAILWAYS

1. INTRODUCTION

It should be stated at the outset that there is no alternative to the process of free collective bargaining. Therefore, when this process is terminated, or its progress is impeded, or artificial constraints are imposed on it, it is not the process of free collective bargaining that must be justified, but rather the need for the impediments. For example, if it is deemed necessary that a time period be imposed on the process—from the commencement to the conclusion of negotiations—not only the time period itself must be justified, but also the measures designed to cope with the possible consequences.

Essentially, collective bargaining should encompass two general problems: (1) the adjustment of terms and conditions of employment, in line with the prevailing conditions in the economy and industry; and (2) the minimization of adverse effects on employees resultant from changes in production processes.

Collective bargaining has been in existence on the railways for a long time. But it has a peculiar sort of collective bargaining: decisions on

wages, hours of work, and other important conditions of employment have not been made through the process of haggling which bargaining implies. Rather, they were formulated by third parties, and implemented after direct or indirect government involvement. Free collective bargaining continues to exist, but its effectiveness is generally limited to issues arising from the administration of the contract.

Over the years, government intervention has been so pervasive in the determination of the main conditions of employment, that the parties have become accustomed to a process of collective bargaining which is devoid of negotiation. 1/ But there is evidence of a change in labour and management attitudes. Until very recently, the unions welcomed government involvement in the expectation that they will gain more that way than on their own. Currently, they have become convinced that they will gain more through a free process of collective bargaining, and have been searching for ways to make the process an effective one. The railways also appear anxious to establish a process free of government interference. In anticipation that the Railway Act of 1967 will allow them to operate as any other commercial enterprise, they are ready to embark upon meaningful negotiations in the determination of employment conditions in the industry.

Although it is difficult to predict what form of collective bargaining might evolve after the implementation of the Railway Act, a number of factors must be considered: (1) Account must be taken of the fact that both sides have gotten out of the habit of negotiation and the conclusion of agreements without government participation. Unless an entirely different labour and management philosophy assumes a dominant role, the task of conversion to free decisions will be a most difficult one. (2) Assuming free

collective bargaining were established, the question arises whether the government would be prepared to assume a passive role when negotiations break down and the threat of a strike looms on the horizon. Unless a bargaining process is devised which will ensure the conclusion of agreements without resort to strike action, government involvement cannot be avoided.

(3) As already indicated, the rank and file have become restive, agitating for greater participation in the formulation of demands, and for the ratification of agreements. Unless a collective bargaining process is devised which will provide them with a more effective voice in the proceedings, neither union leaders nor government will be able to guarantee the implementation of employment conditions agreed upon by management and union officers. This is why the provision in the 1967 Master Contract for negotiation by individual Unions on issues which concern each of them and their own workers is regarded as a very significant break-through-in collective bargaining. It provides an opportunity to individual unions to negotiate on problems which, because of their distinctive nature, could not be included in the common demands, and which became serious irritants to both the union organization and their members. Furthermore, the exclusion of issues peculiar to individual unions from negotiation in effect excluded the consideration of rank and file views on those issues. It is hoped that the provision in question will provide a most needed outlet for the expression of opinion.

2. THE NEGOTIATION OF A COLLECTIVE AGREEMENT

In an effort to demonstrate clearly the nature and scope of collective bargaining on the railways, it would be of advantage to first set out the process of negotiation followed by firms generally. The usual pattern appears to be for representatives of employees and management to meet in

in a series of bargaining sessions until an agreement is concluded. In instances where after a number of sessions it is determined that they cannot agree on some issue or issues, the assistance of a third party is invited.

The bargaining sessions take place in the following general sequence:

Phase One: The union communicates to management a notice of intent to seek revisions of the existing terms and conditions of employment. In it, there are set-out in general terms the nature of improvements sought, and a suggested date for a conference to discuss the issues involved.

Phase two: The first conference is usually attended by the full negotiating committees of both parties, and after the spokesman of each side makes an opening statement, a general discussion takes place. In the course of this discussion clarifications are sought on specific issues; questions are taken for consideration and discussion at subsequent meetings; sub-committees are set up to examine some of the more complex problems; and generally the stage is set for serious bargaining.

Phase three: The union makes its demands specific, and management presents the Company's counter-proposals.

Phase four: Serious bargaining begins. Generally a number of sessions are necessary to cause any significant narrowing in the range of disagreement. The discussion takes the following general form: (a) Since the upper and lower limits on each issue were identified in the second session, the task of each side becomes to assess the other's bargaining strength on each

issue taken by itself, and on each in relation to the total number of issues involved. On the basis of their respective assessments they play the give-and-take game; (b) In the course of the game, the parties hold caucuses to formulate policies on new issues or to discuss new approaches to existing issues; (c) Leaders of the parties meet for "off-the-record" discussions on issues which prove to be rather difficult to discuss fully during regular sessions of the negotiating committees; (d) Issues on which agreement is reached are set aside, until agreement is reached on all issues. There is usually an understanding, however, that such agreements on individual issues are only tentative: they can be traded off against other issues, if trade-off becomes necessary for the conclusion of the complete agreement; (e) On matters which are too complex for exhaustive discussion at the conference table, and on important issues the usual practice is to prepare separate briefs.

Phase five: If the parties fail to agree on all issues, and either of them concludes that further negotiations will not contribute towards the conclusion of an agreement, notice is given that a request will be made for the services of a conciliation officer.

Phase six: The Conciliation Officer confers with each party, and seeks to determine whether there exists a basis on which the parties can meet in conference again and continue negotiations. The failure to find any such basis leads to a possible recommendation to the Minister of Labour for the establishment of a Board of Conciliation.

Phase seven: The parties are brought together again, although now by, and in the presence of a three member Board of Conciliation. Initially, the Board attempts to investigate and conciliate. Knowledgeable Board Chairmen - regrettably not as frequent an occurrence as it should be - assume a role of mediators during the early stages of the proceedings, in an effort to assist the parties to an agreement. Failure at such efforts leads to the opening of formal proceedings, at which the parties are required to present their respective cases and submit to cross-examination. This in itself should be viewed as a continuation of the process of negotiation, for in most instances it takes the form of a recapitulation of what was achieved - where and how much progress was made - during the period of negotiation and a restatement of the impediments to the conclusion of a final agreement.

From the standpoint of collective bargaining, the preparation of arguments for presentation to a third party or in open forum, has the advantage of forcing the parties to focus on each issue, and re-examine all of its strong and weak points. There have been instances in which such re-examinations have led to the discovery that obstacles were really misunderstandings, or differences were so insignificant as not to require conciliation proceedings. Nevertheless, in case of failure to reach an agreement during the process of conciliation, the Board submits to the Minister a set of recommendations which it deems to constitute a reasonable basis for settlement. Whether acceptable or unacceptable to the parties, the Board's report opens the way for phase eight.

Phase eight: Negotiations between the parties resume, leading to the conclusion of an agreement or to a strike. In the latter instance, negotiations resume in due course and an agreement is concluded.

On the railways, the common practice has been to utilize phase one, parts of phases two and seven, and occasionally phase eight: the record indicates that phase one was usually followed by a conference devoted largely to a general discussion of the union demands. Aside from seeking clarifications on some of the demands, the Companies have invariably assumed a totally passive posture. There is no evidence of any counter-proposals. Since it takes two parties for the initiation of a bargaining process, the refusal of the railways to make counter-proposals precluded the possibility of negotiations. Hence, all issues were immediately referred to conciliation.

In essence, there has been no real collective bargaining on the railways: 2/ it takes two to make a bargain, and railway management has given no indication that it is willing to take part. As a result, the determination of wages, benefits, and working conditions on the railways have been generally in response to changes in other industries, in United States railways and after recommendations of conciliation boards and government intervention.

The transfer of the process of contract renewal from the conference room to the conciliation board became a habit with railways. But it proved to be a convenient habit; and this is why it lasted such a long time. The conciliation proceedings were relied upon to accomplish two purposes: to determine what constituted reasonable wage rates for railwaymen, taking into account the most acceptable comparative criteria, and at the same time to provide "neutral" justification for an increase in railway charges.

This outcome explains also why the railways have never responded to union wage demands with an offer. They were concerned lest an offer, however meagre, were interpreted to mean ability to offset it without any increase in charges. Railway management did not wish to convey such an impression, even though an increase in charges may not in fact been necessary or possible. For some reason, they sought to perpetuate the notion that as long as railways remained under some form of public control, the determination of increases in wages, and the burden of such increase must be assumed by the public, whether in the form of increases in charges for railway services or in subsidies.

Management's attitude can be explained in part on the basis that the railways could not meet the union demands under their existing schedule of charges, and hence it was necessary to obtain prior commitment from the government that the cost of the resulting settlement will be defrayed by an increase in rates or through subsidies. Upon careful examination of the railways' employment policies, however, a further explanation is suggested: it would appear that instead of formulating and pursuing a definite programme relating to terms and conditions of employment, railway management resolved to use its managerial perogatives to offset whatever changes in employment contracts were "imposed" on them by the government. Such a policy precludes the necessity for bargaining, and shifts the burden of determining the nature and magnitude of contract changes from the bargaining table to the Cabinet. Reliance is put on the ability to offset the resulting increase in labour costs through the implementation of technological and organizational changes.

Therefore, it would not be an exaggeration to suggest that the employment policies of the railways during the past twenty-five years can be summarized as follows: there should be no particular policy on wages, benefits and other terms of employment, they should not bargain with the Unions on the renewal of contracts involving issues on terms of employment, agreements would be concluded only after government involvement, and a commitment on its part to either permit compensatory increases in charges or provide subsidies; and whenever the trend in traffics or road transport competition, or both, make it inadvisable to increase charges, the increase in labour costs should be offset through technological and operational changes.

3. PROPOSAL FOR THE ESTABLISHMENT OF A PERMANENT
ESSENTIAL SERVICES CONCILIATION COMMISSION

Government intervention to prevent a strike from taking place constitutes in effect intervention with the process of free collective bargaining. The fact that the government finds it necessary to intervene beyond the legally instituted intervention, as provided in the Industrial Relations Disputes Investigation Act, may be construed as evidence of the inadequacy of existing legislation.

Under the Industrial Relations Disputes Investigation Act, railway workers are given the legal right to take strike action; but the federal government has demonstrated repeatedly that it will not tolerate strikes on the railways whether at all or for any length of time. This is analogous to giving the people a legal right to carry arms in order to defend their properties and the nation, and at the same time legislating compliance with the sixth Commandment - thou shalt not kill.

The justification for government intervention beyond the machinery provided in the IRDI Act has been founded on "the national interest". But since the intent of the IRDI Act was to safeguard the national interest, the necessity for direct government intervention as well, implies that the Act has failed to provide effective protection. The question arises, therefore, where has it failed?

It has failed because the parties did not find it possible or elected not to abide by one of its main provisions, namely, to bargain in good faith. The consistent failure of the railways to make counter-proposals to the demands of the unions, precluded the possibility of bargaining either prior to the institution of, or during conciliation proceedings. Indeed, both parties have come to regard conciliation proceedings as a burdensome and costly ritual, and have treated it as a forum for the presentation of their respective views on the issues under examination and related problems.

This is particularly true in relation to the behaviour of the railways: there is no evidence of any effort on their part of presenting and attempting to justify a basis for settlement alternative to that presented by the unions. Whenever they did propose an alternative basis it was as if intentionally designed to be rejected by both the unions and the conciliation board. But most frequently, the railways concentrated their efforts to establish the existence of weaknesses in the formulation and presentation of the union proposals, rather than to present and seek to justify their own proposals. In this they were assisted greatly by the court-like proceedings of conciliation boards. It is worth speculating what results might have been obtained had boards conducted proceedings on a round-table discussion basis, and had it been possible for them to decline to conclude

the proceedings and/or submit reports, until such time as the parties demonstrated their readiness and willingness to negotiate.

From the developments of the past twenty years one must conclude that under existing labour legislation, and as long as the government remains a potential participant in the settlement of disputes, neither the collective bargaining process nor conciliation proceedings will become effective mechanisms for the conclusion of agreements on the railways. Management knows that the government does not favour settlements which will raise costs and cause increases in prices. Consequently, it is to the railways' advantage to allow disputes to reach the government. On this basis, it is not difficult to understand why every dispute since 1945 went to the brink: as long as the government demonstrated a determination not to allow a work stoppage, it was to the advantage of the companies to allow disputes to reach the cabinet.

One can only speculate whether disputes would have been allowed to go to the brink, had the government resolved not to interfere, and demonstrated such a policy. It is doubtful that the railways would have gone to the eleventh hour as frequently as has been the case, had work stoppages been a distinct possibility. As one union official put it: "we and the railways would have been forced to find some way to resolve our problems". He regarded both the conciliation process and the prospect of government intervention as impediments to the search for more efficient alternatives.

However, although free collective bargaining must continue to be the ideal ultimate objective, in the context of existing economic and political reality some form of government involvement is inevitable. The people regard the railways as a public utility which provides an essential service;

they will not tolerate the interruption of that service because of a labour-management dispute. Under such circumstances, no government can afford to remain passive when a work stoppage becomes a distinct possibility. Therefore, the objective should be to devise a more effective bargaining process, and thus reduce the need for frequent government involvement.

It is suggested that the existing ad hoc conciliation machinery should be replaced by a permanent Essential Services Conciliation and Arbitration Commission. The structure and powers of the Commission, as well as its relationship to government and government departments should be of the same nature as those of the Transportation Commission, the Tariff Board, and the Combines Investigation Commission.

Although the primary function of the Commission would be to provide conciliation services, a function of equal importance would be the establishment of research facilities, which will supply the supporting evidence for the settlement of disputes. It is also envisaged that the Commission will employ competent research staff; train conciliation and arbitration officers; hear appeals on issues of contract interpretation, and possess the same quasi-judicial powers as the agencies referred to above.

The proposal is based on five premises:

1. The most serious imperfection in labour-management relations is the lack or inadequacy of information relating to employment security. When information regarding prospective changes in processes of production, anticipated changes in skill requirements, and anticipated changes in the nature of employment generally is not made available to

employees, or what is made available is vague, inadequate, or inaccurate, it becomes a source of uncertainty, distrust, increases the risk in employment, and becomes a serious impediment to progress in negotiations. There cannot be perfect relations under conditions of imperfect knowledge. It is suggested that the Commission can become a source of reliable information, and reduce this serious obstacle in the collective bargaining process.

2. A serious weakness in the existing system of conciliation is the fact that it is a government service. It is suggested that as long as it remains under the control and direction of a government department, there exists a just basis for suspecting that conciliators have been influenced by the government's economic policy. Although there is no evidence of direct government interference during conciliation and arbitration proceedings, Ministerial public pronouncements urging consideration of the economic situation cannot pass unnoticed by those adjudicating on wage claims. It is hardly possible for arbitrators to consider questions of wage increases "in a vacuum"; consideration will inevitably be given to the consequences of their decisions. The relevant question is whether government appointed conciliators or conciliators in the employ of the government are influenced unduly by the prevailing economic policy. The greater the suspicion that they have been so influenced, and that they have shown bias towards government policy, the lesser the likelihood that their decisions will be accepted by the parties.
3. The government will continue to regard interruptions in railway services consequent on labour-management disputes contrary to the national interest.

4. As long as railway services continue to be regarded by the people as essential public services, the nature and manner of public involvement in the settlement of disputes between railways and their employees should be somewhat different from the system applicable to industries not so regarded.
5. The existence of a public agency with authority over railway operations and charges, and the fact that the supply and pricing of certain railway services are fixed by special legislation, are a recognition of the industry's special position in the economy. It should be emphasized that if these premises are invalid, and particularly if relations between the railways and the unions, and the railways and the government change in a way as to invalidate premises 3-5, then the proposed commission would no longer be necessary.

To ensure that the existence of a conciliation service does not induce the parties to forego negotiations prior to the institution of conciliation proceedings—as has been the case heretofore—it is also proposed that bargaining sessions be chaired by a member of the Commission, and that his consent be required for the institution of Conciliation proceedings. This proposition is based on the assumption that neither party would wish to be accused by an official body of not bargaining or bargaining in bad faith; and that the Commissioner will withhold his permission to refer issues to conciliation until he becomes firmly convinced that phase one of the bargaining process has run its full course.

Phase two would commence with the referral of the issues to the Conciliation Commission. In addition to its efforts at Conciliation the Commission will utilize its specialized resources and experience in search for a mutually acceptable settlement.

The conciliation proceedings should be viewed as, and conducted in the form of, a continuation of the negotiation process. The Commission's role at this stage should be one of mediation rather than investigation and report: it should endeavour to create and maintain an environment conducive to negotiation. Given the opportunity to recapitulate on what was achieved during the period of independent negotiations, and having to restate the impediments that each side saw to the conclusion of an agreement, considerable progress can be achieved. The preparation of arguments for presentation to a third party or in open forum, compels the parties to focus on each issue in dispute, and re-examine all the strong and weak points relating to it. In the process, it is quite possible to find that some of the "impediments" were mere misunderstandings or obstacles which could be overcome without difficulty.

Failure to arrive at an agreement during the conciliation phase (phase two), will bring conciliation proceedings to an end. Phase three would involve an examination of the outstanding issues by the Commission itself, which would issue a report setting out the basis on which a settlement must be concluded. In essence, this phase of the process is one of compulsory arbitration. But, unlike the compulsory arbitration system used generally, this one has the advantage of being integrated into the collective bargaining and conciliation process. The fact that the basis for settlement is formulated by individuals who have participated in the proceedings from the beginning, is the best guarantee that the award will be based on the most comprehensive knowledge of the situation and the issues involved.

It is to be hoped, of course, that resort to phase three will be infrequent: the presence of a Commission member during the initial phase

of negotiations should compel the parties to bargain, and should also prove a deterrent to delaying tactics by either party; whereas the existence of a permanent Conciliation Commission, with expert staff and research facilities, should reduce substantially the time taken under current proceedings, introduce impartiality in the process, and provide greater certainty that the conciliators and adjudicators know what it is all about.

It is also envisaged that the Commission would maintain continuous contact with both labour and management; would be consulted on all matters relating to the employment of labour and union-management relations; and would participate in the formulation of solutions to actual or potential problems. For example, whenever management contemplates the implementation of measures which directly or indirectly will affect a group of employees, it could be required that the Commission be notified. In such instance, the Commission's function would be to convene the representatives of the parties to a conference, and make certain that both understand the nature of the changes, and the magnitude and nature of effect that they will have on the employees. Furthermore, the parties may find the Commission a useful medium in the search for measures designed to minimize the adverse effect on employees.

Some have suggested that such semi-coercive mediation will destroy whatever chance there might exist for the development of collective bargaining in the industry, following the elimination of restrictions on railway rates and operations. There are others, however, who suggest that the dislike of compulsory arbitration by both unions and management will be an incentive to them to leave nothing to arbitration. The fact is, that inasmuch as those concerned with industrial relations abhor compulsory arbitration, the compulsory prevention of strikes in key industries and vital

services appears to have widespread public support. The government cannot ignore this fact.

In the context of the vital role attributed to the railways in the economy, the only way to avoid the imposition of compulsory arbitration is not to allow labour-management relations to reach that stage. The proposed Conciliation and Arbitration Commission is intended to provide some direction in this regard. Also, there should exist a joint labour-management committee at the highest level, to discuss negotiable issues as they arise, to commission studies on issues which require careful and detailed examination, and to keep under review matters which enter into the domain of collective bargaining. The existence of such a Committee will reduce both the fanfare associated with annual and biennial negotiating sessions, and the countdown pressures involved in attempting to reach agreements on numerous difficult issues, within relatively short periods of time.

The leaders of certain unions have indicated their willingness to participate in such a Committee. In their opinion, an arrangement of this nature can do much for the evolution of an environment conducive to effective collective bargaining. They have conveyed the impression that they are so eager to eliminate the justification for government involvement, and to get out from under government guardianship, they are willing to experiment with any alternative which would strengthen the process of free collective bargaining.

4. THE PROBLEMS OF MULTI-UNION NEGOTIATIONS ON AN INDUSTRY-WIDE BASIS

Reference was made earlier to the fact that the unions of non-operating railway employees have usually banded together in the negotiation of an

industry-wide master contract; whereas the brotherhoods of operating employees have usually bargained independently of one another, and with each railway separately. When unions band together for the purpose of negotiation, and when the negotiation is on an industry-wide basis, certain problems arise which have important implications for collective bargaining.

Joint union action makes it necessary that all of them agree on both the issues on which bargaining is to be sought, and on their relative magnitudes. It follows, that issues on which agreement cannot be reached amongst the participating unions must be left out. This has been the source of conflict in the past, both within and between unions. The necessity for agreement amongst the unions has meant that oftentimes demands were limited to wages only. And even on that issue, the conflicts between the unions of craftsmen and those whose membership is constituted predominantly of unskilled and semi-skilled workers, over the nature of wage demands—uniform cents-per-hour, or uniform percentage, or uniform cents-per-hour plus some extra to the skilled—frequently threatened the end of joint union action. The fact that non-operating unions continue to bargain jointly, is a credit to their respective leaders, to their joint consultative organizations, and to the delegates and officers composing the General Conference Committee of the Associated Non-Operating Railway Unions.

The railways have pioneered nationwide and industry-wide bargaining. At present there is no evidence of a desire for change, although there have been suggestions that some unions might follow the lead of their U.S. counterparts, and negotiate with the C.P.R. on a regional basis first, and then seek to impose the provisions obtained in that contract on the C.N.R. and the other railways. The advocates of this proposition emphasize three possible advantages:

1. Regardless of how much policy-making freedom the railways may acquire under the new railway act, the Canadian National will remain primarily a public utility, whose policies will be influenced by, and hence reflect the national interest. It follows, that whatever conditions of employment are negotiated with the prosperous, privately-owned C.P.R. will have to be accepted by the publicly-owned C.N.R.
2. National rates of pay may be justified from the standpoint of the equal pay for equal work principle, but are totally unrealistic from the standpoint of the reality of prevailing labour market and living conditions.

When national rates of pay are negotiated for all skills, their level falls somewhere between the high rates prevailing in metropolitan areas and some provinces, and the low rates prevailing in rural areas and the less wealthy provinces. Such rates are unfair to both the workers and the companies, since the railway workers are employed throughout the country—in cities, towns, and villages—and equal rates create peaks and troughs in living standards. One hundred dollars per week may provide a reasonably good standard of living for a family in a small town in Eastern Ontario, or in a town or village in Quebec, but in Metropolitan Montreal or Toronto such an income may cause hardships. From the standpoint of the railways, national rates make recruitment very easy in rural areas and in lower income regions, but extremely difficult in metropolitan areas. The leader of one of the larger unions declared that they are fully aware of the inequities and difficulties caused by the imposition of national rates, but it should not be expected of the unions to take the initiative to rectify the problem. "The union has to live," he said, "and its officers want to remain in office; therefore, we cannot openly and publicly support a proposition for pay

discrimination amongst workers who perform essentially the same tasks. What can we tell Bill, Joe, and so on, who work in the Moncton carshops, when they say that they do exactly the same job as their counterparts in Montreal? They will insist, that as their leader, it is my responsibility to see that they get the same rates of pay, and I must see to that regardless how I may feel personally." But he will support any proposition that will provide for a differential which will not offend anyone and which can be justified within the context of the equal work principle. Considerable interest was expressed, for example, in the proposition that consideration be given to the establishment of Metropolitan differentials.

3. It must be recognized that the government will not tolerate a national rail tie-up. Also, the nature of railway services—from coast to coast and largely entailing a continuous flow—does not lend itself to partial stoppages similar to those practised by Quebec Hydro workers. But it should be possible to tie up the services of one line only, or only the freight service, and thus reduce the pressure on, and justification for, government intervention.

Examined in relation to point three above, and in relation to the process of collective bargaining in the industry as well, railway unions emerge somewhat less powerful than they are reputed to be. Management have found in the regulations governing their operations a basis for refusal to bargain; and governments have demonstrated that they will not tolerate the exercise of union economic power in the settlement of labour-management disputes. As long as management finds a legal basis to refuse to bargain, and hence escapes the charge of unfair practices, and as long as the government continues to regard any stoppage in railway services as unacceptable,

and compels the parties to accept conditions determined by a third party, the unions will remain nothing more than fraternal organizations. As long as the terms of settlement imposed on the parties are determined by them to be close to what they would have achieved through a free process of collective bargaining, the argument in favour of the free process would be one of principle only. When, however, the terms fall short of what might have been gained through exercise of the economic power at their disposal, and this is repeated over a period of time, then the argument for free collective bargaining acquires economic significance. The failure of unions, over the years, to seek out alternative ways to compel the companies to enter into negotiations should be interpreted in one way only: that they expected to make greater gains through the exercise of their political power on the government than through the application of their economic power on the railways.

5. COLLECTIVE BARGAINING AND THE CONCILIATION PROCESS

The Conciliation process has become an integral part of the setting in which terms of employment on the railways are being formulated. Although it has not been successful in its conciliation function, and has very seldom proposed bases on which immediate settlements were achieved, it did nevertheless provide bases on which agreements were ultimately concluded.

The conciliation of disputes on the railways has proven considerably more difficult than in other industries. The main problem has been the absence of negotiations prior to the institution of conciliation proceedings. The unions assert that negotiations did not and could not take place

because management never responded to their demands with counter-proposals. Management on the other hand maintains that the absence of bargaining must be attributed to the unwillingness of certain influential union leaders to bargain. A representative of management declared that union demands were presented as being final—"in no way related to what would be reasonable under prevailing circumstances...and refusing to disclose what they considered to be a fair settlement".

There is a degree of truth in both assertions: in the knowledge that the issue will be referred to conciliation, neither party wished to appear at the proceedings with part of its advantages "given away". Management know that whatever counter-offers they make will become the floor when conciliation proceedings begin; and labour officers know that the level to which they reduce their demands during negotiations will become the new maxima. Hence, they became accustomed to non-negotiation.

This attitude of labour and management towards negotiation rendered the conciliation process the first phase of negotiation. Unlike the investigation and conciliation of disputes in other industries, where the parties reduce the area of disagreement through negotiation, on the railways the area of disagreement remained in its original state—there was no reduction either in the number or in the magnitude of issues in dispute. Hence, when the parties appeared before Conciliation Boards they were as far apart on each issue as they were when negotiations commenced.

Therefore instead of being the last or second last stage in the process of collective bargaining, conciliation has been almost the first stage of the process on the railways. There has been virtually no collective bargaining prior to conciliation proceedings, particularly on monetary issues.

At least two explanations have been suggested:

1. At the time when railway charges were strictly controlled by the Board of Transport Commissioners, the railways needed an independent party's recommendations for increases in wages to be used in support of their submissions for offsetting increases in charges. Since they were not able to convince the government to allow them greater freedom in operations and the manipulation of their charges, and since wages constituted more than one-half of their operating costs, the use of a publicly established wage standard for the determination of charges became a favoured method.

Under such circumstances, the negotiation of wages becomes inconceivable. The argument is that if they were to negotiate an increase in wages through the process of free collective bargaining, or if they were to make a wage offer, however small, it may be interpreted to mean that the resulting increase in labour costs could be offset by means other than an increase in charges. Even if this were possible, it was not regarded prudent from the standpoint of the relationship between the government and the industry to pursue a policy which would not involve the government or its regulatory agent in the determination of a cost whose magnitude, to some extent at least, is regarded as being imposed on them by public policy.

2. The response of government to labour-management disputes on the railways has always been in favour of its interpretation of "the national interest" at the given point of time. There is no evidence of any attempt to reconcile the immediate with the long run national interest: at no time have the parties been allowed to settle their disputes through free negotiation. In the knowledge that under no circumstances will the government permit the unions to use their ultimate weapon in the process of bargaining,

the railways have elected to shift the entire burden of wage determination to the government itself, and to demand compensatory accommodation through increases in charges or subsidies. In effect, the policy of the railways regarding the determination of the wages of their employees has been that they will not negotiate on them without the direct or indirect involvement of government, so long as railway operations and charges were regulated by public authority.

In this context, the main impediment to the establishment of an effective process of collective bargaining in the industry—including the conciliation process—was the legal framework within which the railways had been compelled to operate. If this is a valid supposition, then the considerable liberalization in legislation relating to railway operations and the rate structure should be viewed as the removal of the chief obstacle to the institution of genuine collective bargaining. The general consensus amongst those who are knowledgeable of the situation is that this will not take place. Changes in legislation designed to remove obstacles merely opens the road to free access; whether, and how much use will be made of the road, depends upon how accustomed the parties have become to the use of alternative roads.

Nevertheless, on the ground that legislation relating to railway operations and charges restricted their ability to earn income, the railways virtually refused to engage in collective bargaining either prior to or during conciliation proceedings. In reality, therefore, as already indicated, there has been neither collective bargaining nor conciliation as defined in the Industrial Relations Disputes Investigation Act. The parties went through the motions of collective bargaining (which means that they

meet collectively two to three times), submitted their positions to Boards of Conciliation, received their reports, and then transferred the whole matter to the government to be resolved by it directly in consultation with parties, or through compulsory arbitration.

The negotiations of 1966 are typical of the sequence of relationships: In the fall of 1965 the General Chairman of the Joint Negotiating Committee of the unions served notice on the railways—in accordance with the procedures of the Industrial Relations Disputes Investigation Act and provisions in their existing agreements—of their desire to revise the existing agreements and introduce certain changes in wages, benefits and conditions of employment. After two meetings, at which questions of a general nature were posed and discussed, the Minister was asked to appoint a Conciliation Board, and all issues were referred to it for investigation and report. The parties made their submissions to the Board; the Board issued its report; the unions took a strike vote; in late August 1966—ten months after the first steps were taken for the revision of agreements—a strike was called; and finally, the government acted by passing special legislation imposing compulsory arbitration.

During these ten long months both parties knew that according to established practice the Board of Transport Commissioners would not entertain an application for increases in charges to offset the anticipated increase in costs. Its stated policy had been to consider compensatory increases in rates only after an agreement had been concluded. Even, then, there was no certainty that the Board would accede to the application. Therefore, before consenting to changes in the existing agreements which would raise their costs, the railways wanted a government guarantee that the Board will be instructed to accede to their request for increases in rates. But the

government did not act. This has been a typical, albeit reprehensible posture within the existing legislative framework.

On every instance, the government has maintained a supposedly neutral attitude, although knowing full well that agreement would be impossible until it indicated by what means would the increase in costs be defrayed. The government's unwillingness or resistance to pressures to interfere with the process of collective bargaining, where free collective bargaining does actually take place, is a praiseworthy policy. But to assume this same posture in relation to the process in effect on the railways—a process which no respectable observer will designate as collective bargaining—contributes little to the reduction in friction, and the settlement of disputes. As one union official put it: "The government attempted to preserve the fiction of normal bargaining between the parties, and adopted a hypocritical posture of non-intervention in the 'free collective bargaining process' until they had a strike in their hands".

The relative relaxation in the regulation of railway operations and charges evident in recent years, has had no appreciable effect on this policy. Whether there will be a change now that the railways succeeded in their long sought objective to obtain freedom from government regulation remains to be seen. Much will depend on how the government conceives its role in the new setting. If the government wishes to assist in the development of free collective bargaining on the railways then it must demonstrate to the parties that it would not interfere in the determination of terms and conditions of employment beyond the provisions of the Industrial Relations and Disputes Investigation Act. However, to make certain that it would not falter under provocations and pressures, the government must

convince itself first that it would be in the national interest to permit the parties to settle their differences through the free process of collective bargaining, even though this may entail the interruption of railway services. Only when the government demonstrates its resolve not to interfere, will the railways abandon the convenience of conciliation and begin serious bargaining.

The shift of conciliation proceedings from the end of the collective bargaining process to the beginning, has meant that there had been no narrowing in the area of conflict prior to the institution of conciliation proceedings: unlike the conciliation of disputes in other industries, where the gap between what is demanded and what is offered on each issue usually narrows through negotiation, in railway disputes conciliation boards were confronted with issues on which no prior negotiation had taken place. As a result, the gap between what was demanded and what was offered on each issue was as wide as when the demands were originally presented on the railways—from zero (the usual offer of the railways) to whatever the union demands may have been.

Had there been a permanent conciliation board or commission, similar to the Transport Commission, the Tariff Board or the Workmen's Compensation Board, with a staff of commissioners and research officers knowledgeable in railway matters generally, and in railway labour-management relations specifically, the absence of collective bargaining prior to conciliation may not have constituted a serious problem. The Board would have been guided by experience and knowledge of existing and anticipated conditions in the industry. The system of ad hoc conciliation boards in existence heretofore, frequently constituted under pressure of time limits, and often

placed under the chairmanship of individuals who had already demonstrated their incompetence, could not be expected to suggest satisfactory solutions to the issues in dispute. As a result, the conciliation proceedings, like the meetings between representatives of labour and management at the initial stages of the opening of negotiations, were generally treated as simply a required step prior to direct government intervention and the conclusion of an agreement. Indeed, union leaders have been so consistently irritated by "chairmen who are not only incompetent but refuse to learn", and so frustrated by long drawn-out court-like proceedings, that have developed a rather cynical attitude towards the whole process. "Our usual approach" said one "is to make a submission and urge the Board to bring out a report as soon as possible, so that we can get on with the serious business of trying to achieve a settlement. We don't give a damn what kind of report".

REFERENCES

- 1/ Individuals knowledgeable of the situation maintain that negotiations have taken place, but usually in the Prime Minister's office.
- 2/ Two qualifications have already been made in relation to this and similar statements: (a) that it applies to negotiations between the railways and the organizations of those employees who are directly or indirectly involved in the provision of railway services, i.e. it does not apply to trucking, shipping, hotel and restaurant employees, and so on; and (b) that negotiations did take place, but usually after the conclusion of third party proceedings, and usually at the eleventh hour, either at the Prime Minister's office or in the presence of the Minister of Labour.

CHAPTER IX

TECHNOLOGICAL CHANGES AND COLLECTIVE BARGAINING

1. INTRODUCTION

Technological and operational changes, and their effects on employment and conditions of employment, have become the most important issue in labour-management relations in recent years. However, discussions have not yet reached the level of sophistication that the issue warrants: until very recently, the parties were still arguing the question whether management had the right to make unilateral decisions on the introduction of technological and operational changes. Considering that there have been labour-management consultations and co-operation for a relatively long period of time in the industry, one would have expected to find an acceptance of the principle of the desirability of technological changes, and the concentration of efforts on both sides to hammer out a mutually satisfactory program of accommodation for those who are, and will be, adversely affected.

The lack of significant progress 1/ on this issue can be attributed to two factors: first, apprehension on the part of management lest acceptance of the principle of negotiability—either on the technological

and operational changes themselves or of measures designed to accommodate workers who are adversely affected by them—becomes an obstacle to technological progress; and second, the serious deficiency in knowledge regarding the actual effects of technological innovations, both at the micro and macro levels. Serious and fruitful discussions on the issue cannot be expected until each of the parties is in possession of comprehensive data on all aspects of the relationship between technological and operational changes and the quantity, nature and functions performed by employees. At present, there is virtual ignorance of even simple, yet vital manpower information, such as, Who Does What; Where; How Much Education and Training Does He Have; What is his Age; and How Long has he been in the Present Job. Specific measures for accommodation to technological and operational changes cannot be devised unless this serious imperfection is corrected.

From the standpoint of industrial relations, the imperfection related to the deficiency in knowledge regarding the effects of technological innovations becomes a serious problem when innovations are implemented unilaterally. Under such a system, those affected remain generally ignorant both as to the nature of effect on their employment—displacement, relocation, need for supplementary knowledge, etc.—and as to the time. Therefore, they are not able to do what many of them would do under conditions of perfect knowledge, namely, take precautionary measures—find alternative employment, make necessary preparations for geographic relocation, acquire additional education and training, etc.

It is suggested that both from the standpoint of improvement in relations between labour and management, and from the standpoint of the continuous and efficient utilization of all human resources, it is imperative

that the imperfections related to the implementation of technological innovations be eliminated or reduced. One possible way of achieving this is to require that management give advance notice of pending changes, and assume the responsibility to find alternative employment for those affected. 2/ In this way, the managerial prerogative to determine the most efficient process of production will not be affected, and at the same time it will be insured that the gain in output achieved by one firm will not be offset by the loss in output to the nation in the form of the potential of unemployed manpower resources. The maxim, what is good to one firm or one individual is not necessarily good for the nation as a whole is clearly applicable here.

A less efficient way to resolve the problem would be to make the implementation of technological innovations subject to negotiation. But, those whose very existence is affected by changes in technology are not likely to negotiate their own extinction. Furthermore, long drawn-out negotiations can become an impediment to technological changes, and affect efficiency adversely. It would be infinitely more advantageous, from the standpoint of industry, the employees, and the economy, if the implementation of technological innovation were to be left with management, but to be carried out within the framework of specific rules and regulations regarding responsibility for the adverse effects on labour and the community as a whole.

Therefore, from the standpoint of both labour-management relations and economic progress generally, it is preferable that decisions on, and the implementation of, technological innovations, be left at the discretion of management, but conditional upon negotiated agreements with representatives of workers and the community affected. In this way, although

management retains the right to decide on the nature and magnitude of technological changes, their implementation will depend upon satisfactory arrangements regarding their adverse effects on workers and the community. Two examples should suffice for illustration: in the case of the displacement of firemen, the decision at dieselization was a managerial prerogative, and it was taken without consultation with the representatives of those who were to be affected adversely. But the decision on what should be done about the workers who were adversely affected should have been an issue for negotiation. On the other hand, in the case of the C.N.R. "Run Throughs" the implementation of the decision should have been preceded by negotiation with both the workers and the communities affected.

Where the compensatory payments (determined by an impartial authority) to adversely affected workers and communities will raise the total cost of the innovation above the anticipated benefits from it, then the innovation should be adjudged not to be in the national interest. In the case of the "Run Throughs", for example, if the compensatory payments to the communities affected raised total costs so much as to offset or more than offset the anticipated savings, then the stops should have been continued. Such an outcome could indicate that society would not benefit at all from the elimination of the stops in question.

It is conceivable, of course, that the adversely affected parties would place such conditions to the implementation of technological and operational changes, as to render management's prerogative meaningless. This was demonstrated in the firemen's case: the union did not oppose dieselization, but insisted that firemen continue to be employed on the diesel locomotive. In such instances, where the affected party refuses

to consider alternatives to the redundant employment position, the determination of comparative costs and relocation processes and programmes should be placed before arbitration tribunals. Bargaining cannot take place when one of the parties declines to consider alternative propositions.

Similarly, it would be very difficult to make redundancy compensation (severance pay) subject to negotiation. Such compensation should be based on, and be part of, a set of rules and regulations encompassing retraining, relocation, early retirement, alternative employment, and so on. In addition, consideration should be given to age, skill, years of service with the company, and family responsibilities. Negotiations should involve the exceptions rather than the rules; and where agreement cannot be reached, the issue should be referred to the tribunal.

It should be emphasized that severance pay should be regarded as a measure of last resort: the objective should be to re-educate, retrain, and re-employ the displaced within the shortest possible time. Provision should be made for the payment of a transitional wage during the period of preparation for re-employment, rather than for the granting of a lump sum akin to provisions in accident insurance policies. There is nothing accidental about the loss of employment or the loss or erosion of one's occupational skill consequent on technological and operational changes; these are planned with the greatest care, and therefore someone is responsible for the consequences.

The reference to education, age, skill, years of service and family responsibilities as relevant factors in the negotiation of manpower adjustments to technological and operational changes, lends importance to the

existence of comprehensive profiles of the railway labour force.

2. "RESTRICTIVE LABOUR PRACTICES" AND TECHNOLOGICAL CHANGES

Railway unions have a notorious reputation for imposing on the industry work rules which cause men to be employed where they are not required or more men to be employed in the performance of certain functions than is actually necessary. Such rules are known as "restrictive practices" and are frequently referred to as "featherbedding". Before embarking upon an examination of some alleged restrictive practices, it may be of value to comment briefly on how it is determined that a given rule is in fact restrictive.

It is not easy to determine what constitutes featherbedding. By definition it is a work situation in which more men are employed than is necessary for the efficient production of a given volume of goods or services. But who determines the number of men required? The union maintains that X men are required to perform a given function efficiently and safely; whereas management insists that X-2 men would be adequate. Professor John T. Dunlop states: "There are certain human qualities which suggest that attitudes and responses depend, at least in part, upon whose ox is being gored." He quotes Professor George Taylor to have said, "It is a sign of the times, perhaps, that the shortshift treatment is so largely confined to those rules which benefit hourly paid workers while work rules prevalent in the professions, including college teaching with its tenure appointments, are more sympathetically viewed." 3/

Clearly this is a matter on which neither the union nor the management view can be taken to represent the true situation. The union may be

motivated entirely by a determination to ensure the employment of all its members, in which case the elimination of some of the functions performed by them would simply mean that they would work less for their pay. A well placed union officer whose members were so affected declared: "When improvements in technology and operations cause the elimination of some work-functions formerly performed by our members we regard this to be a change favouring the workers. Over a long period of time technological improvements were regarded from the standpoint of the benefits that would accrue to the companies only. We regarded this to be wrong. Now we are determined to make certain that the benefits accrue to the workers as well. It appears inconsistent to us that a technological improvement which reduces the amount of labour necessary for the performance of certain functions should not be reflected in the work-loads of the workers themselves. Yet, when we insist on this we are accused of imposing so-called featherbedding rules."

Management on the other hand tend to regard technological and operational improvements as substitutes rather than complements to labour. Hence, when such improvements cause a reduction in the amount of labour necessary for the production of a given service the appropriate measure is to release from employment the resulting labour surplus. In management's view there can be no justification for the employment of, and payment for, labour services which are no longer required. This argument is based on the premise that the volume of work performed by a worker or a group of workers over a given period of time is relatively fixed. Therefore, a reduction in it is only possible when there is a reduction in the time period. The area of conflict is evident: when the amount of labour

necessary for the production of a given service decreases, should some of the workers be released from employment or should the work-load that remains be spread more thinly over the entire labour force performing those functions?

The most celebrated case of featherbedding is that of road freight and yard firemen. Although the diesel has rendered them redundant, firemen have forced the railways to retain them in employment for freight and yard services. It is estimated that between 1958, when the Kellock Royal Commission declared that firemen were not required on diesel locomotives in freight and yard services, and 1966 the labour cost attributable to their employment was \$85,000,000 to the CPR and \$105,000,000 to the CNR. If the functions they perform have no value to the railways, then their retention in employment is indefensible. Other cases to which the railways have made references concern the three-men yard crews, three-men freight crews, and the employment of ticket clerks and operators at all locations regardless of the volume of work available for each of them. It is asserted that yard crews should be constituted of a foreman and one helper, and freight crews of a conductor and one trainman. The nature and volume of work expected of yard crews do not require the services of a second helper, and freight trains do not require the services of a second trainman. Although the Brotherhood of Railway Trainmen has apparently accepted the principle of eliminating the three-men consist rule from the collective agreement, and has committed itself to final and binding arbitration on the rules under which reductions in yard crews were to take place if agreement were not reached by April 30, 1967, it has refused to take the issue to arbitration even though no agreement was reached by April 30th.

Other practices which the railways regard unreasonably restrictive, and impeding the efficiency of operations, are craft line rules. For example, an electrician installing cables will not drill a hole deeper than one-half inch because anything beyond that depth is a carpenter's job.

The most desirable way to resolve these problems is, of course, through negotiation. But this is a very difficult way. In most instances, the elimination of a featherbedding rule involves the abolition of jobs. Few union leaders feel sufficiently secure in their offices to enter into negotiations for the purpose of liquidating the jobs of union members. Hence, it seems unfair to accuse union leaders of not co-operating in the elimination of restrictive practices, when it is well known that many of those who demonstrate any willingness to do so, will be voted out of office.

Therefore, although the most desirable way may be through negotiation, the most effective way may be through a neutral authority. The proposed Essential Services Conciliation and Arbitration Commission could become such an authority. One of the suggested functions of the Commission was: "to participate in the formulation of solutions to actual or potential problems ... whenever management contemplates the implementation of measures which directly or indirectly will affect a group of employees, it should be required that the Commission be notified ... The Commission, together with the parties, must then search for a basis on which the change can be implemented."

It should be emphasized that if negotiations on working rules are to be initiated and carried on successfully, with or without the participation

of a neutral authority, workers must be assured that whatever the outcome of such negotiations no one of them will be deprived of employment. Unless such an assurance is given, and unless it is made contractually binding and enforceable, few union leaders will have the courage to enter into such negotiations.

Finally, a few comments are perhaps warranted on the effect of restrictive labour practices on technological changes. From what has been said regarding featherbedding rules it can be deduced that they are consequent on, or protection against the adverse effects of technological and operational changes. The question arises whether such rules have become an impediment to the implementation of technical improvements. To obtain an answer, a three-part question was posed on the railways:

- (a) have restrictive practices prevented the company from instituting efficiency-raising innovations? When? Where? What kind?
- (b) If they have not prevented the introduction of technological and operational innovations, have they delayed their introduction? When? Where? What kind? For how long? How?
- (c) If they have neither prevented nor delayed their introduction, have they impeded the optimum utilization of technological and operational advances? When? What kind? How?

The answer to question (a) was that union opposition to "run-throughs" prevented the introduction of certain changes in operations which were designed to increase efficiency. However, the controversy regarding the "run-throughs" can hardly be classified as one relating to work rules alone. As the Freedman Report demonstrates, wider socio-economic problems must be considered in relation to them.

To question (b) the answer was, NO. It appears that whenever management determined that a given technological and/or operational change was desirable from the standpoint of efficiency, it was implemented. Rather than being an impediment, restrictive work rules and associated increases in direct labour costs have been the primary stimulus to labour-saving capital investment.

The answer to question(c) was that there have been no impediments to the optimum utilization of technological and operational advances but that some of the benefits were offset by the continued employment of, and payments to, workers those functions were no longer necessary, wholly or in part, for the production of the given services.

3. APPROACHES TO MANPOWER ADJUSTMENT

Manpower adjustment to technological change has become an item of priority in collective bargaining. Although many managers regard negotiations on the employment effects of technological and operational changes an infringement on their managerial prerogatives, increasing numbers of the more enlightened amongst them have recognized the issue as a negotiable one.

On the railways, the leaders of both labour and management have demonstrated extremely rigid attitudes on certain issues, and flexibility on others. It would appear that the nature of the issue rather than the principle of negotiation has been the determining factor on whether negotiations on it would take place. For example, management refused to negotiate on matters which fell within the scope of managerial prerogatives; and labour leaders rejected suggestions for the negotiation of certain

work-rules, which management alleges were established for a world of railroad work somewhat different from that in existence today.

Nevertheless, the question of managerial prerogatives, and very recently that of the residual powers of management has assumed prominence in labour-management relations in the industry, although they have not been examined by the popular press with the degree of interest displayed on the question of "featherbedding" practices of railway unions. The treatment given by the press to these issues—both the popular press and the "professional" sort—is alleged to have contributed to a considerable stiffening in the attitudes of the parties. The persistent emphasis on the benefits to be derived from implemented and potential technological and operational changes in the industry, and the continuous campaign against "featherbedding" practices, have been interpreted by labour leaders to have been initiated by railway management in an effort to create the impression that restrictive work practices are responsible for the failure to introduce more widespread efficiency raising technological and operational changes. There is a feeling amongst some labour leaders that public opinion has become so prejudiced against railway labour, that it is difficult to engage in a dispassionate dialogue on the issues involved.

Union leaders appear very disturbed by what they regard as unfair and misleading publicity; and the more so because they suspect that the railways are behind the campaigns. In addition, they have expressed concern regarding the consequences: they know that the issues would have to be negotiated or arbitrated some time, and fear that the adverse public opinion will weaken their bargaining position.

There is some evidence that this bears significantly on the apparent rigidity of union policies regarding the negotiation or arbitration of work rules. Workers have been agitated by the continuous campaigns against them, and regard the work profiles drawn of them as grossly inaccurate and unfair. Under the circumstances, few union leaders who prize their offices, would dare to negotiate work practices.

There is general agreement within the industry that the implementation and full utilization of the potential of technological and operational changes can best take place within an environment of labour-management co-operation, reflected in discussion and the establishment of mutually satisfactory provisions for whatever undesirable consequences may emanate from them. It is not suggested that fear of the consequences of technological change, and hence resistance to it, can be eliminated through the establishment of processes for discussion and satisfactory accommodation. Just as organized railway workers opposed the spread of the trucking industry, and campaigned for the imposition of taxes on trucks to offset the costs of road building; and just as the railways opposed the building of the St. Lawrence Seaway, railway unions can be expected to question the necessity of technological and operational changes which threaten the employment of their members.

Nevertheless, although railway union leaders may have voiced protests against certain dislocations caused by technological and operational changes, and may have questioned the nature and magnitude of labour dislocations, there is no evidence that they have erected serious barriers to the implementation of technological and operational changes. The adverse publicity regarding restrictive work practices has created the inaccurate

public impression that the railways have been restrained in the introduction and efficient utilization of technological innovations. In fact, many technological and operational changes have been introduced during the past twenty years, and a substantial number of them required significant geographic and occupational adjustments by labour. There has been resistance to the accommodation required, but in most instances it was opposition emanating from the failure to consult adequately prior to the introduction of the change, and from uncertainty regarding its effects, rather than in response to the change itself.

"The lesson of history" states John T. Dunlop, "is clearly that work rules cannot for long frustrate technological change." 4/ A policy of obstruction may delay the implementation and efficient utilization of technological innovations, but cannot prevent them in the long run. The president of the Cigar Workers union, Mr. Perkins, is quoted to have said: "No power on earth can stop the at least gradual introduction and use of improved machinery and progressive methods of production." 5/

The degree of resistance to technological and operational changes by workers and unions alike, is generally related to the nature of the anticipated effect on the occupation. A craft whose utilization is limited to the railway industry, and hence has no market price (transfer value) is likely to put up greater resistance than one which is employed in other industries as well. This is quite understandable: in the first instance, the existence of the craft is threatened; whereas in the second, the problem is one of relocation. This is demonstrated by the responses of firemen (Helpers) and boilermakers to the introduction of diesel locomotives. The diesel has drastically reduced the employment of both firemen and boilermakers. In 1956 the railways employed 1,669 boilermakers and blacksmiths;

in 1966 their number stood at 724. Yet, there has been no public notice, no publicized outcry, and no serious dispute about adjustment to the change by both boilermakers and their union. By contrast, the accommodation of firemen has become a very difficult issue, and has resulted in two strikes.

It is not difficult to determine the causes for the different reactions to the change: boilermakers are in demand in other industries—shipbuilding, construction, boiler manufacturing—and their wages have been as high or even higher in these alternative employments. Furthermore, their union is a craft union with contractual relationships in a number of industries: it is in a position to assist in the relocation of its members to other industries. In contrast, there is no demand for the services of firemen outside the railway industry. Firemen, and other operating trades, are tied exclusively to the railway industry, and their unions are exclusively railway unions. Therefore, whereas the displacement from one industry of a craft employed in a number of industries results simply in industrial relocation, the displacement of a craft employed in one industry only means that the craft becomes redundant. From the standpoint of the union, in the first instance there can be no adverse effect on its life, in the second the union in essence disappears.

John T. Dunlop identifies five factors in relation to the degree of difficulty in manpower adjustment to technological change. 6/

In general terms, the degree of difficulty in adjusting manpower to technological change can be related to five factors. Their identification will assist in locating the sectors of the economy which may involve most problems in adjustment to change.

1. A sector with long-term decline in employment magnifies the problems of adjustment.

2. A high degree of turnover, as is typically the case in occupations characterized by women employees, or in industries with casual employment, tends to mitigate the severity of adjustment problems. The long-term attachment of men in railroads complicates the task of adjustment.

3. Occupations with specialized skill, as among railroad operating employees, compared to skills with wide transfer value, involve greater problems, particularly when wages are relatively high compared to other wages in the communities in which many operating railroad workers live. Employees are often required to make changes in both location and occupation to secure alternative employment.

4. The concentration of a union in a single craft in a single industry makes adjustment more difficult in the face of adverse technological change, since the question of institutional survival of the labor organization complicates adjustments. Merger among labor organizations in the railroad industry, as in others, has proven most difficult. The problems are magnified by the fact that ladders of promotion, such as firemen and engineer, are served by rival unions, and work rules and seniority arrangements defining work opportunities between the crafts on the same ladder impeded merger. Further, the future of the labor organization, its officers, and its bargaining rights are at stake in addition to jobs. Labor organizations confront budgets also, and when employment and dues have fallen below a certain level the organization may cease to be financially viable.

5. The inclusion of explicit manning rules in collective bargaining agreements or in state statutes or regulations further complicates adjustments since such rules become symbolic and often provide a barrier to review of new technological possibilities. Moreover, a single national rule is likely to prove more difficult than a variety of locally bargained rules which permit local experimentation with new processes and a variety of compromises. There has been little opportunity for local or regional experimentation on firemen questions, although there has been much more variation in the case of rules on crew composition.

Existing evidence lends support to the proposition that the problems arising from technological and operational changes are essentially problems of accommodation. Workers associate technological and operational changes with the destruction of skills, the erosion of occupational content, and geographic, industrial and occupational mobility. Therefore, one of the primary functions of collective bargaining should be to seek out mutually acceptable solutions to problems of adjustment emanating from such changes,

and endeavour, through positive action, to reduce the feeling of employment insecurity existing amongst railway workers. It is the responsibility of railway management and labour leaders to find the most satisfactory means of accommodation to existing as well as anticipated dislocations.

The survival of collective bargaining in the railway industry, will be determined by whether the process is used successfully in the solution of problems created by technological and operational changes. The fewer the problems resolved through negotiation, the greater the numbers of them that will be referred to compulsory arbitration, and the greater the threat to the collective bargaining process.

An orderly manpower adjustment to technological and operational changes requires the adoption of industry-wide accommodative measures. This is particularly vital where occupational specializations are limited to one industry only. Dunlop suggests the following measures: 7/

1. To ensure an efficient intra-industry flow of manpower, seniority districts should be broadened; and there should exist carrier-wide, and even industry-wide, lists of employees, so that they would be given first chance at employment elsewhere in the railway and the industry, before resorting to hiring from external markets. In an industry where total employment is declining, it is not fair to the workers, and it is not even rational from the standpoint of efficient utilization of manpower, from one railway to hire and train new workers in industry oriented specialized occupations, while another is releasing from employment older workers who possess the required specialization.

2. Tied to the seniority provision, and manpower relocation programmes, there should exist an industry-wide program of compulsory retirement at a designated age. The gaps that are created as a result, within the occupational structure, should initially be filled through manpower transfers from within each firm, and when this is no longer possible, it should be done through some arrangement for inter-firm transfers. This would require, of course, a much greater degree of inter-firm manpower co-operation and co-ordination than has been demonstrated heretofore, and the understanding and co-operation of older workers, many of whom had been looking forward to the day when they would qualify for some of the choice runs, with

shorter hours and higher incomes. Also, workers must be able and willing to transfer from one area to another and from one firm to another.

3. Greater uniformity should be introduced in the effective hours worked by the various occupations and grades of occupations. It is difficult to introduce orderly manpower adjustments when variations in hours of work are so substantial amongst workers within and between occupations. When a general decline in employment necessitates a variety of manpower adjustments, the rational approach would be to reduce the weekly hours of those who have worked in excess of the standard work week. Although this will reduce the weekly earnings of some workers, it is preferable to redundancies that can be avoided or reduced in number over given periods of time.

4. Along with the broadening of seniority regulations, and the establishment of a related relocation program, there should exist a comprehensive industry-wide retraining program. In the absence of such a program, manpower relocations necessitated by technological and operational changes would result in a mere spreading of redundancies over time and space. Those at the lower brackets of the seniority structure who are very vulnerable to unemployment, should be provided with the opportunity and encouraged to obtain alternative skills. It should be the responsibility of industry, the unions and the community to ensure that workers, whose employment and skills are in doubt, obtain alternative skills while still employed, rather than wait until their employment is terminated and their skills destroyed. The agitation of the rank and file, to which reference was made earlier, will culminate into a revolt against both their employers and union leaders unless they devise and agree upon an all inclusive industry-wide manpower adjustment program which will provide for satisfactory alternatives to their current positions. It is argued that such a program will limit management's right to abolish employment positions, which in turn will impede the implementation and optimum utilization of technological and operational innovations. However, such an argument implies a presumption that workers and their leaders will oppose the abolition of redundant positions. This need not be the case: opposition will be at a minimum if satisfactory provisions are made for retraining, relocation, and alternative employment opportunities.

It should be emphasized that the effectiveness of manpower adjustment programmes depends upon how many interlocking measures are included in them. It is hardly possible to implement a successful relocation program without reference to age, retirement, and retraining, and without provision for redundancy payments or benefit payments during the period of

retraining and relocation. Equally, a program or retraining cannot be expected to be successful without provision for industrial and geographic relocation and without provision for retirement and redundancy payments as possible alternatives.

4. TECHNOLOGICAL CHANGE AND FAILURE OF THE COLLECTIVE BARGAINING PROCESS—THE FIREMEN'S AND 'RUN-THROUGH' ISSUES

The issues referred to here have been widely publicized, and hence are sufficiently well known not to require a detailed examination in this report. The main purpose in dealing with them is to isolate those aspects of the conflicts which manifest the state of labour-management relations in the industry. The Firemen's Dispute or the so-called 'Diesel Issue', concerned the Canadian Pacific Railway's proposal in 1956 to remove firemen from freight and yard diesels; whereas the 'Run-Through' issue concerned the decision of the Canadian National Railways in 1964 to eliminate the train stops and crew changes at the Nakina and Wainwright terminals.

Both problems were mainly the result of the same technological change—the diesel locomotive: its introduction eliminated the traditional functions performed by firemen; and also facilitated longer runs without having to change train crews. It is natural then that the railways should have wished to dispense with the services of firemen, and to run through those terminals at which it was no longer necessary to stop. However, their attempts to put into effect these changes resulted in conflict—two strikes by firemen, and a wildcat strike by the employees who were to be dislocated from the Nakina and Wainwright terminals.

The labour-management conflicts on these two issues are manifest examples of what is most likely to happen when one of the parties declares that a given issue is not subject to negotiation, regardless how important it might be to the other, and when technological changes are implemented without prior consultation regarding possible adverse effects on employees and the introduction of measures to offset or reduce those effects. Therefore, although the direct source of the problems was changes in technology, the primary cause of the conflicts is found in the failure of the collective bargaining process.

In neither case was the right of the companies to institute the technological changes challenged. What was challenged was their right to institute the changes without prior or adequate consultation with representatives of the workers affected, and in the absence of any definite plans regarding the employment of those who were expected to be affected adversely. Even on the diesel issue, which not only involved the employment of firemen but also the termination of their craft and hence the destruction of their organization, the spokesman of the Brotherhood of Locomotive Firemen and Enginemen declared:

If the Company had seen fit to accompany its proposal on the diesel issue with a concrete blueprint, spelling out in detail what provision it was willing to make for the 1,000-odd firemen who would be immediately cut-off the payroll, and not an inconsiderable number of other firemen who would ultimately lose their employment if the company request were granted, the no-compromise position which the union throughout maintained might have been at least in some respects relaxed or modified. 8/

In the 'run-through' conflict the CNR argued that under the provisions of collective agreements management had the right to make unilateral changes in working conditions during the contract period. Given this right, however, the question arises whether it should be exercised without prior

consultation with union officers, and without adequate provisions to offset or reduce the adverse consequences. It is suggested, that the residual rights argument is but an excuse for mismanagement in the sphere of industrial relations. A statement by Mr. Donald Gordon at the Economic Council of Canada Conference on Labour-Management Relations to the effect that management is action oriented, 9/ and by implication did not have time to engage in consultation and negotiation with labour representatives prior to technological and operational changes, reveals an approach to industrial relations which cannot be regarded as conducive to labour-management co-operation.

Instances in which the time interval between the initiation of an organizational or technological change in the planning department and its implementation is relatively short, and for reasons of competitive advantage sudden and unpublicized action is necessary, the argument against procedures which would cause undue delays may have some validity. But, most changes that have become a source of labour-management dispute have been of a nature requiring rather extensive planning and careful study. Hence, time does not appear to have been an obstacle for consultation. The run-through conflict is a case in point: the decision to institute the run-through plan had been preceded by rather detailed studies relating to every aspect of the change; yet, its announcement was delayed to zero hour, and presented to the workers, their unions and the Communities affected in its final form. Not only were the unions not consulted, but also their accredited representatives in the area were not given advance notice of a meeting called by the company at Nakina on September 30, 1964 to announce its decision to purchase the homes of workers who were to be dislocated.

In his report on the conflict, Mr. Justice Freedman 10/ castigated the company for the manner in which it called and conducted the meeting at Nakina, and commented that while the company's decision to purchase the homes of dislocated men was commendable, its decision not to inform union representatives that a meeting was being called could not but impair labour-management relations. Indeed, the manner in which the company handled the plan, from its conception to its attempted application, appeared as if designed to discredit union leaders in the eyes of those whom they were supposed to protect against arbitrary measures. According to Mr. Justice Freedman, the employees who booked sick in protest against the implementation of the plan, were protesting not only against the run-throughs, but also against the arbitrary manner in which the company attempted to institute them, and against their union leaders who failed to secure protection against unilateral changes in working conditions during the existence of a contract.

In retrospect, there has been recognition and admission from a number of management representatives that the company erred in taking the stand that run-throughs were a non-negotiable issue falling within the domain of managerial prerogatives. Evidently, they did not anticipate the consequences, and least of all Mr. Justice Freedman. As a result, all railways are now contractually committed: 11/

- (a) not to put into effect any technological, operational and organizational change which is likely to be of a permanent nature and which may effect a material change in working conditions with adverse effects on employees, without giving advance notice of not less than 90 days if a relocation of employees is involved and 60 days' notice in other cases.

- (b) To negotiate with the Unions measures to minimize the adverse effects of proposed changes on employees.
- (c) To refer to mediation by a Board of Review—composed of equal representatives from both parties—all matters on which agreement could not be reached.
- (d) To refer to compulsory arbitration all matters on which the Board's recommendations are unacceptable to either party.

Thus, although the companies retain the right to determine and make technological, operational and organizational changes, they cannot put them into effect without prior agreement or decision on measures designed to offset or reduce their adverse effect on employees.

Had a similar agreement existed between the railways and the Brotherhood of Locomotive Firemen and Enginemen the conflict relating to the removal of firemen from freight and yard diesels may not have arisen. But the problem in this case was considerably more complex: it involved not only the displacement of firemen, but also the end of their craft and the disappearance of their union organization. Under the circumstances, it is understandable why the Brotherhood would not have entered into a contract which recognized management's right to make technological, operational and organizational changes and limited negotiations regarding their consequences to measures designed to minimize their adverse effects on workers. The further provision that failing agreement between the parties the issues are to be placed before a referee for final and binding decision makes the contract totally unacceptable to the Brotherhood. An agreement of this nature would have meant that the Brotherhood voluntarily negotiated

its own liquidation. In this context, it is also understandable why the Brotherhood's response was that the issues were not negotiable. Its spokesman declared:

It is our considered opinion that the course now being pursued by the CPR can only make a settlement more difficult, will exacerbate relations between the parties and, if persisted in, will lead inevitably to a test of economic strength. ...The very livelihood of our members, the continuation of our craft, and the continued existence of our organization are at stake...

We charge the CPR with wilfully exacerbating relationships by injecting and demanding priority for their demand to remove firemen from diesel locomotives. ...

This means that firemen are to give up their jobs, see their craft die and their organization disappear. These Are Not Negotiable Demands. 12/

This suggests that there arise issues in labour-management relations which cannot be resolved through the process of collective bargaining. The question arises whether labour relations legislation should provide that when one of the parties refuses to negotiate on an issue, the problem be referred to an impartial tribunal for a ruling.

It is relevant to ask whether a craft should continue to exist when the functions performed by it no longer exist. In the case under examination, negative answers were given by both a Conciliation Board 13/ and a Royal Commission. 14/ But, the answer given by firemen was in the form of two strikes within a period of sixteen months. The first, January 2-11, 1957, was called in response to a CPR announcement that arrangements were being made to implement the report of the conciliation board, which upheld the company's proposal. The second took place May 11-13, 1958 in response to the company's decision to begin the removal of firemen from freight and yard diesels on May 11.

The development and outcome of this dispute generated considerable interest because it was regarded as a test case for both Canadian and United States railways: hence the long and careful investigation of the issue, and the involvement of the government, the Canadian Labour Congress and the international president of the Brotherhood, Mr. H. E. Gilbert. At the end, public opinion, pressure from other railway organizations and from the CLC, forced the Brotherhood to accept the fact that it was marching along a dead-end road and that the end was indeed in sight.

REFERENCES

- 1/ Some progress is evidenced in the March 1967 Master Agreement between the Railways and the Unions of Non-Operating employees. Whether the provisions of the agreement constitute "significant progress" will be determined in the near future.
- 2/ The Master Agreement between the Railways and the Unions, concluded on March 14, 1967, contains a provision for advance notice of pending manpower changes consequent on changes in technology and operations.
- 3/ National Bureau of Economic Research, Transportation Economics, p. 429.
- 4/ Ibid., p. 432.
- 5/ Ibid., p. 432.
- 6/ Ibid., p. 431.
- 7/ Ibid., pp. 433-436.
- 8/ Mr. W. E. Gamble, speaking on behalf of the Brotherhood of Locomotive Firemen and Enginemen, The Labour Gazette, February 1957, pp. 178-179.
- 9/ Economic Council of Canada, National Conference on Labour-Management Relations (Ottawa, November 9-10, 1964), Queens Printer, Ottawa, 1964, p. 73.
- 10/ Report of the Industrial Inquiry Commission Relating to CNR 'Run-Throughs', Mr. Justice Samuel Freedman, Commissioner.
- 11/ Article VII of Master Agreement between CNR, CPR, and Other Railways and the Associated Railway Unions of Non-Operating Employees, dated March 14, 1967. (The Agreement is presented in Appendix E).
- 12/ Mr. W. E. Gamble, addressing the Anderson Conciliation Board on June 27, 1956. The Labour Gazette, February 1957, p. 179.
- 13/ Judge J. C. Anderson, Chairman. Majority Report dated Dec. 17, 1956.
- 14/ Mr. Justice R. L. Kellock, Chairman. Report dated Feb. 4, 1958.

CHAPTER X

LABOUR-MANAGEMENT CO-OPERATION AT THE LOCAL LEVEL

1. INTRODUCTION

The railways have been models of labour-management co-operation at the work level. There are scores of committees dealing with all matters relating to work processes - conditions of work, economic use of materials, safety measures, administrative relationships, etc. Originally, the committees were conceived as vehicles for the increase in productivity and the reduction of costs. They have evolved into consultative committees, which frequently engage in negotiation on issues pertaining to local work processes and labour-management relations. However, wages, work rules, and the procedure for settling grievances are set out in the master agreement and hence are beyond the competence of such committees.

The railway industry has been characterized with continuous and generally satisfactory labour-management interaction at the work level for a long period of time. The popular impression of a lack of genuine negotiations in the industry should relate to national negotiations for the renewal of employment contracts, rather than to relations during inter-contract periods.

Therefore, in the assessment of the state of labour-management relations in the industry not only the formal process of accommodation—the renewal of the contract of employment - must be examined, but also the interactions during the inter-contract periods, involving the interpretation and administration of contract arrangements. Whether such interactions take place on a formal or informal basis, and whether the resulting accommodations take a formal or informal form is immaterial. Their importance rests in the nature of the relationship. Although both management and union officers distant from this level of interaction express concern about precedent-setting informal accommodations, and claim that many such accommodations have been the source of conflict during the formal process of contract renewal, their number reflects a healthy state of labour-management relations.

To the extent that some accommodations at the work level have been a source of conflict between union and management representatives during periods of formal negotiations, it may reflect in part the fact that negotiations are distant from the production process; and probably more so the fact that the formal contract includes policy principles which represent the respective institutional philosophies. Ideally, principles should give away to the reality of the changing work environment; but in reality there appears to exist a significant lag in the modification of principles in response to changes in the socio-political and economic environment in the firm. This lag is a source of frustration to both workers and union officers at the work level, as well as to management officers with whom they interact.

2. THE NATURE OF RELATIONS AT THE LOCAL LEVEL

The day-to-day administration of a contract which contains hundreds of rules and regulations is not an easy matter. Unsatisfactory relations between union officers and supervisors at the work level can be a source of continuous labour-management conflict. The railway industry has enjoyed a remarkable degree of co-operation between labour and management at this level.

Flood found that at the Canadian Pacific Railway's Angus shops about five thousand grievances were examined in 1963 and only one hundred and ten of them were referred to higher authority. 1/ This demonstrates both the frequency of interaction between union and company representatives at the work level and the state of labour-management relations at that level.

This generally satisfactory state of union-management relations at the work level can be accounted for by two factors: first, because the total number of workers in some occupations has fallen continually, and in other has remained unchanged over a long period of time, the proportion of workers fifty years of age and over is relatively higher than in industries whose work forces have been increasing. Many older workers, after long periods of service and many years of union activity, have gained considerable authority not only in the performance of their tasks, but also in the interpretation of work rules and implementation of employment contracts. Some of them have become advisors to younger activists and foremen alike. Furthermore, many of the long service employees have acquired a degree of loyalty to the railway companies, which, although resented by some of the younger workers, is valued by management. Second, employment on the railways has a more continuous family identification than in any other

industry. Although the sons and grandsons employed to-day cannot understand why father and grandfather developed such an undiminishing sense of loyalty, they too have developed an attachment and an identification with the industry of no lesser intensity than that of their fathers and grandfathers. This family tradition, which is given special recognition in the contracts of employment—"...in the selection of apprentices, sons of employees shall be given special consideration"—has been referred to as an important factor in the maintenance of satisfactory labour-management relations at the work level.

Upon closer observation one must conclude, however, that relations are of a father/son nature rather than one of equals; except that the place of the actual father is now taken by a foster father—the railway. This is the main obstacle to the extension of the "satisfactory" labour-management relations from the work level to the collective bargaining level. It would appear that as long as unions act in a capacity of fraternal organizations, and co-operate in the resolution of problems arising in the process of work, management is willing to tolerate them. But tolerance turns into passive resistance whenever issues of wages, benefits, working conditions and accommodation to technological changes are brought forth for consideration. On virtually all instances that such issues were presented on railway management for discussion, the response has been "there is nothing to discuss; things are good as they are". A distinctive paternalistic approach has prevailed: "if, and when changes become necessary the companies will introduce them. The workers must place their trust in management". The astounding fact is that many workers have, and are willing to do precisely that. A senior union official confided that he has been totally unsuccessful in his efforts to change his father's opinion on this matter: "He is convinced that the company has the workers best interests at heart".

According to Mr. Donald Gordon, labour-management co-operation involves a different form of relationship than that prevailing in a process of collective bargaining. A problem solving relationship - which is the motivation for labour-management co-operation - "requires freedom to express tentative views, to explore without having the words you have used cast back at you at the next or a later meeting". 2/

Despite the relatively long history of labour-management co-operation on the Canadian National, the relationship does not appear to have reached the stage of total acceptance, and automatic consultation. Management regards the necessity for consultation a constraint. Here are Mr. Gordon's views on the matter:

"We must be frank and recognize that co-operation is a difficult posture to both unions and management. Management is action oriented. It wants to get on with the job and not feel that it has to spend hours in endless discussions before it can act. And it has a genuine concern that the borderline between co-operation and co-determination is a thin line that can be easily and unwittingly transgressed, as the scope of common interest extends to areas that touch upon the freedom of management to act promptly and decisively when the interests of the business so require." 3/

This is the philosophy that necessitated the appointment of the Freedman Commission. Clearly, Mr. Gordon was concerned lest matters which on principle fall within the area of managerial prerogative become matters on which consultations take place. Can anyone seriously maintain that consultation impedes managerial action? "...freedom of management to act

promptly and decisively, when the interests of the business so require", implies "regardless of the social consequences and the impact on employees". Such a posture is irresponsible and totally unacceptable not only to labour but also to society generally.

Thus, despite the many years of co-operation, consultation and negotiation with union officers, the attitude of management towards the unions has remained one of mere recognition of their existence. Although individual union officers have been consulted frequently at the highest level, the decisions ultimately taken on many issues lead to the conclusion that the consultations were more in the nature of informing them on matters decided upon, or testing them for reaction on decisions taken, rather than consulting with them. Frequently, serious clashes were avoided because of the alterness of union officers and workers generally rather than labour-management co-operation and consultation at the highest level. In part, this is attested to by the fact that whenever the unions sought changes in their contracts of employment, whether in the rates of pay, benefits or conditions of work, management's response has been to put the onus on them to prove that the provisions of the existing contracts were not fair. Since the concept of a "fair contract" is rather broad -- fairly good wages, fairly good working conditions, etc. -- union officers could not accept this as a basis for negotiations. The labour-management environment created by such exchanges can hardly be characterized as one of co-operation and consultation; and it is hardly one in which an amicable relationship can be established.

Nevertheless, at the local level relations between union officers and the lower levels of management have been generally satisfactory. The problems encountered at the national level in the setting of wages, hours of

work, vacations, pensions and other conditions of employment do not appear to have had adverse effects on labour-management relations at this level. Some difficulties have arisen from the fact that uniform rates of pay throughout the nation become reflected in peaks and troughs in standards of living, but these are not the main problems with which local union and management representatives are confronted. The main problems arise from the administration of the contract, and particularly the administration of those parts of the contract pertaining to work rules. Each contract contains a myriad of rules, some of them currently negotiated but most of the important ones established for many years and accorded the rigidity and power of common law. Although many of these rules are deemed obsolete in the context of modern operations in the industry, and although some occupational classifications are incompatible with the nature of work presently performed, their modification has been resisted.

The basic problem continues to be one of employment security. We do not yet have a national or industry system that guarantees the individual continuous employment, and ensures against the deterioration of his socio-economic status consequent on changes in processes of production. In this context, it is not surprising that workers and their organizations should resist modifications in the rules of employment which would expose them to the forces of change.

Since most major rules are virtually sanctified, their interpretation is vested in the highest national and international councils only. As a consequence the powers of local area and even regional councils are limited to the interpretation and application of union work rules, and those contract items which are the result of and subject to negotiation. Maxwell

Flood states: "at the plant level the parties have a responsibility of administering a contract which is rigid and inflexible and which only appears to change in matters relating to such basic matters as wages and vacations. It is in the interpretation and administration of the contract that the parties, at the plant level, have an opportunity to influence the nature of their relationships"!

In effect, the day-to-day administration of the contract is almost exclusively in the hands of the shop chairman for each craft and his committee of delegates. Only when the shop chairman cannot get a satisfactory resolution of a problem in his interaction with the works manager, does he refer the case to the general chairman of his union. This line of authority and responsibility applies equally to the management side, although the facility for consultation is greater here since foremen are in continuous contact with assistant works managers and the works managers.

3. THE SETTLEMENT OF GRIEVANCES

Procedures for the settlement of grievances arising from the interpretation and administration of collective agreements are set out in the various contracts of employment: provision is made for progressive appeals up the union and management hierarchies until a mutually satisfactory settlement is reached. Issues which cannot be disposed of through negotiation are referred to the Canadian Railway Office of Arbitration for a binding decision.

The Canadian Railway Office of Arbitration is a one-man Tribunal which replaced the Canadian Railway Board of Adjustment No. 1. The abandonment of this Board, after 47 years of operation, reflects a significant change

in labour-management relations in the industry in recent years. Although it is not deemed necessary to embark upon a detailed examination of the circumstances under which the Board was created, and the process by which it functioned rather successfully over such a long period, it may be of value to touch upon the possible developments that led to its abandonment.

The Board was originally established as a wartime measure (August 7, 1918) "to avoid disputes or misunderstandings which would tend to lessen the efficiency of transportation services in Canada during the war". 4/ It consisted of twelve members, six selected by the Executive Officers of the participating organizations (the four brotherhoods of the running trades plus the telegraphers and maintenance of way employees), and six by the Canadian Railway War Board on behalf of and paid by the railways. The Board was so effective in its work, that the parties agreed to continue it after the war with the provision that it would be terminated upon the request of either party. In 1964 the railways served notice that they wished to replace it with a single arbitrator.

Representatives of both Parties suggested that the Board had passed its usefulness. Apparently, it had become increasingly deadlocked, which necessitated frequent referrals of issues to single arbitrators for final decision. This involved a repetition of the presentations made before the Board, which some of them regarded as a waste of time. Although one is inclined to believe that joint labour-management Boards perform a useful co-operative function even when their deliberations do not bear fruit, in this case the railways decided the results did not justify the allocation of scarce manpower to it.

Another factor of some significance was the Board's failure to give reasons for its decisions. This precluded the possibility of building a body of written knowledge to be used by new members in the decision-making process. As the membership of the Board changed, so did the criteria on which decisions were based. Hence, whereas in a period of 35 years tie votes were an infrequent occurrence, in recent years they became the virtual rule. Management spokesmen asserted that the unions instructed their representatives to support the union case; while union spokesmen maintain that the companies instructed their representatives to vote as a block in order to demonstrate that the Board was no longer an efficient instrument for dispute settlement. Also, the lack of impartiality in some recent decisions became the source of considerable agitation amongst the workers. As long as the Board demonstrated impartiality in its awards, even though it did not give reasoned decisions, those affected accepted the consequences with subdued protest. But it is alleged that in recent years Board members engaged in the practice of reciprocal favours at the expense of justice: as an alternative to a tie vote agreeing to trade off cases. Finally, some Board decisions have unwittingly caused changes in work rules, resulting in further labour-management problems. It is asserted that as long as there were on the Board individuals who had participated in the writing of the rules such difficulties did not arise; they knew the intent of the rules and were able to provide the intended interpretation. Over time the composition of the Board changed and the replacements were not as knowledgeable with that high complex part of the contract of employment.

When such co-operative schemes of great promise are allowed to degenerate into burdensome and inoperative bodies, one wonders to what extent they reflect the state of labour-management relations in the industry. The

absence of co-operative schemes does not mean that the relationship is one of conflict or potential conflict; but the abandonment of a scheme which for many years was viewed as an experiment worthy of emulation must be interpreted as a sign of deterioration in labour-management relations.

REFERENCES

- 1/ Maxwell Flood, The Local Union - Management Relationship, A Case Study, (M.A. thesis, McGill University 1964), p. 23.
- 2/ Economic Council of Canada, National Conference on Labour-Management Relations (Ottawa, November 9-10, 1964), Queen's Printer, Ottawa, 1964, p. 73.
- 3/ Economic Council of Canada, National Conference on Labour-Management Relations (Ottawa, November 9-10, 1964), Queen's Printer, Ottawa, 1964, p. 73.
- 4/ The Labour Gazette, November 1920, p. 1447.

CHAPTER XI

THE CHANGING INDUSTRIAL RELATIONS SETTING ON THE RAILWAYS

There are signs that the process of collective bargaining on the railways is changing, and both labour leaders and management are concerned about the ultimate result. As already outlined, the general pattern in effect during the past quarter century was for the leaders of both parties to meet, to discuss a few general questions, and refer all union demands to conciliation. The ultimate settlement, whether based on the recommendations of a conciliation board, or on those of some alternative third party, was invariably achieved after direct or indirect government intervention. This pattern has three distinctive characteristics: there is very limited rank and file participation in the collective bargaining process from beginning to end; there is active government involvement; and there is a distinct failure to attempt the evolvement of a basis for negotiation within the context of government regulations.

The signs of change relate to all three characteristics: the rank and file demand more active participation during the negotiations—consultation prior to any revision of demands and prior to any proposal for trade-offs—and their approval be sought on all issues agreed upon by their leaders. This is very distressing to both union leaders and employers.

Some union leaders have expressed genuine concern about the stability of their organizations, interpreting rank and file demands to mean lack of confidence in their leadership, and feeling compelled to consider a more militant attitude in negotiations, or find alternatives to the process of collective bargaining in effect heretofore, which would be more acceptable to their memberships. They interpret membership agitation to reflect fear of the consequences of mechanization, emanating from uncertainty regarding the efforts of leaders to ensure their employment and incomes. In this they find support in the writing of A. H. Raskin—"The workers' sense of obliteration in a mechanized society dominated by giant corporations and giant unions is making rank-and-file pressure for more recognition the most assertive and disruptive force on the strike front. Automation is not the prime source of this pressure, but it has accentuated the sense of individual expendability and even irrelevance on the production line." 1/

Another cause for rank and file agitation, particularly amongst non-operating employees, had its source in the limitations imposed on the demands of individual unions by the agreement for joint union negotiations. Under the agreement, the demands presented on the railways were limited to issues on which all participating unions could agree. Issues on which a common policy could not be formulated were not only left out of joint negotiations, but also individual unions could not take them up independently, regardless how important these issues might have been to their memberships. Considering the diversity of occupations represented in the General Conference Committee of the Associated Non-operating Railway Unions, and considering further that each participating union has its own distinctive characteristics, it is inevitable that there should have

accumulated over the years many issues of concern to individual unions and their members, which could not be negotiated. But, "there comes a time" stated one union leader, "when those issues must be taken up. If the union is to survive as a distinctive organization, and if its leaders wish to remain in office, they must respond to the demands of the membership. How many years can union members be expected to forego legitimate demands in the name of railway labour unity?" An attempt has been made to resolve this problem (see Article IX of 1967 Master Agreement, presented in Appendix E). Whether it will in fact be resolved will depend upon how many unions will find it possible to sacrifice union solidarity in pursuit of individual objectives. Furthermore, the right of a union to pursue some issues independently is rather limited. 2/

Finally, there is the influence of developments in the United States where, despite significant industry-wide gains in the automobile, aircraft, and steel industries, the dissatisfaction of individual groups of workers resulted in strikes after the signing of national agreements, and compelled union officers to seek alternative accommodations. For example, in September 1964 Mr. Walter Reuther announced the conclusion of "the best contract the UAW has ever negotiated", yet his G.M. members called a strike that lasted six weeks; the aircraft workers repudiated agreements reached by their leaders; and the steelworkers voted their leader out of office, despite his success in the negotiation of the Human Relations Commission for Continuous Bargaining, and his efforts for "Total Job Security, Greater Prosperity, and Greater Justice and Dignity on the Job." In January 1965 the president of the Longshoremen's Union, like Reuther a few months earlier, announced the conclusion of "the best contract ever", yet his longshoremen, like Reuther's G.M. members, struck.

The decision of the Canadian Brotherhood of Railway, Transport and General Workers to withdraw from the General Conference Committee in 1966 and negotiate by itself, was the result of pressure from some of its members to negotiate certain issues on which a common policy with the other unions could not be formulated. The most important issue dividing them was that of wage differentials. Craft members of the CBRT were not happy with the existing wage differentials, and insisted that the wage increases to be sought should be so formulated as to restore them to their proper levels. It is believed that had the CBRT not taken the action it did, its craft members would have seceded and sought certification as an independent bargaining unit.

Whether the establishment of wider differentials will pacify skilled workers remains to be seen. Indications are that their grievances are not limited to the issue of differentials as such. They resent the erosion of their dominant socio-economic position in the shop and seem determined to seek the establishment of special contractual arrangements which would recognize a preferred status for them in the work process. Furthermore, they feel that technological and operational changes will affect them to a greater degree, and that therefore, they must be provided with a different form of protection than what is required for the unskilled and semi-skilled. They, the machinists, the tool-and-die makers, the electrical workers, the blacksmiths, have assumed the posture that their consent over the past quarter-of-a-century to press for uniform improvements in wages, benefits and working conditions was motivated by a genuine desire to assist in the betterment of the economic and working position of the unskilled and semi-skilled, during a period when these groups were fighting for the

establishment of their union organizations. They no longer require this support. Hence, the time has come to restore the economic and working relationships that existed in the past.

This claim is based on the implicit assumption that the relationships of twenty-five years ago were just and equitable within the context of the then existing labour market conditions for various skills and working processes, and that present labour market conditions and occupational relationships within processes of production have remained basically unchanged. It is difficult to justify a proposition of this nature in a socio-economic setting whose chief characteristic is one of continuous and rather radical change. Nevertheless, the fact is that craftsmen are demonstrating their determination to re-assert their dominance in the workshop. In the United States the shopcrafts rejected the increases that were accepted by the other railway unions, and succeeded in their demands for substantially more. The skilled trades of the United Automobile workers secured an amendment in their constitution which gives them a veto over contracts negotiated by the Union. In Canada, the craftsmen forced the CBRT to withdraw from joint Union negotiations, so that it can demand special arrangements for them.

Railway management are equally distressed by the rank and file insurgence. The illusion of union monopoly, and concentration of power in a small group of labour leaders, has given way to the reality of the consequences of having to bargain with a multitude of unions on each and every issue; having to wait for the referral of each issue to the membership for ratification; and with having to deal with union leaders who could not guarantee membership observance of contracts, and could not enforce membership discipline. Employer representatives who heretofore complained about

powerful, and sometimes irresponsible, union leaders, and campaigned for more frequent reference of issues to the workers themselves, now find that their most effective allies are union leaders who possess the knowledge and authority to negotiate, and ensure the observance of collective agreements. They admit, for example, that had union leaders lacked authority and persuasive powers, craft unions would have seceded from joint negotiations on the issue of cents-per-hour wage increases. Union leaders are now being credited with having prevented a revolt of the skilled when some narrowing of the skilled-unskilled wage differentials was deemed necessary. When differentials narrowed so much as to cause difficulties in the recruitment of craftsmen, and raised the possibility of the secession of the skilled, they persuaded the unskilled and semi-skilled to accept a change in policy which would provide for greater increases to craftsmen. It is no secret that skilled workers who were members of, or negotiated jointly with unions whose membership was predominantly unskilled and semi-skilled, consented to the wage policy of equal-cents-per-hour increases for all, on the assurances of their leaders that the sacrifice entailed was necessary for the preservation of labour unity and strength. Had union leaders been less persuasive, the railways would have had to negotiate with their craftsmen separately, and in all probability would have faced serious conflicts over the issue of differentials.

The CBRT action demonstrated to both management and the other unions what might be expected if changes were not introduced in the collective agreement. It became clear to all that unless some provision were made to allow each union to negotiate separately issues peculiar to itself, the other unions would be compelled by their members to follow the example set

by the CBRT. Therefore, the inclusion of such a provision in the 1967 agreement demonstrates how responsive union leaders and management have become to the challenge of the rank and file.

REFERENCES

- 1/ "Rumbles from the Rank and File", The Reporter, January 28, 1965, p. 27.
- 2/ See Article IX, Section 2 and last paragraph of Section 3 of the 1967 Master Agreement (Appendix E).

APPENDIX A

TEXT OF THE MAINTENANCE OF RAILWAY OPERATION ACT (1950)

An Act to provide for the Resumption of Operations of Railways and for the Settlement of the Existing Dispute with respect to Terms and Conditions of Employment between Railway Companies and their Employees.

Whereas the operation of railways and subsidiary services serving the country as a whole has been suspended by reason of a failure of the railway companies and the bargaining agents of non-operating and certain other employees of the companies to reach agreement as to certain terms and conditions of employment;

And whereas the vital interests of the people of Canada and the welfare and security of the nation are imperilled by the suspension of operation of the railways, particularly in existing international conditions;

And whereas the railway companies and the bargaining agents of the employees appear to have agreed that existing wage rates should be increased, and the forty-hour week introduced but appear to have been unable to agree as to the amount and effective date of the wage increase or the date at which the forty-hour week would be effective and the terms and conditions upon which it would be introduced;

And whereas it is essential to protect the interests of the people of Canada and the welfare and security of the nation that operation of the railways be resumed immediately and that for the purpose provision be made for provisional terms and conditions of employment of employees and for the final settlement thereof;

Now therefore His Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:-

1. This Act may be cited as The Maintenance of Railway Operation Act.
2. Within forty-eight hours after the commencement of this Act every railway company shall resume operation of the railway and subsidiary services the operation of which is suspended by reason of the strike now existing and every employee who is now on strike shall return to the duties of his employment with the railway company by which he is employed.
3. The terms of each collective agreement to which this Act applied are provisionally amended forthwith by increasing by four cents per hour each rate of wages established by or pursuant to the agreement.
4. (1) Subject to amendment of its terms and conditions in accordance with this Act, the term of each collective agreement to which this Act applies is extended to include the period beginning on the commencement of this Act and ending on the day on which a new collective agreement entered into between the parties thereto in amendment or revision thereof comes into effect, or on which the arbitrator by a decision under this Act fixes the term of a collective agreement to be entered into in amendment or revision thereof, whichever is the earlier.

(2) The terms and conditions of a collective agreement mentioned in subsection one, amended as provided in this Act, shall be effective and

binding on the parties thereto for the period therein mentioned notwithstanding anything contained in The Industrial Relations and Disputes Investigation Act or in the agreement and that Act shall apply in respect of the agreement as so amended as if the period during which the agreement was extended by this section were the term of the agreement.

5. (1) If within thirty days after the commencement of this Act, or such longer period as may be fixed by the Governor in Council at the joint request of a railway company and a union agreement has not been reached between them either as to the terms of a collective agreement in revision or amendment of a collective agreement to which this Act applies or as to an arbitrator to decide such terms, the Governor in Council shall appoint an arbitrator to decide all matters not then agreed upon between them that appear to the arbitrator necessary to be decided for conclusion of such a collective agreement, including the fixing of a term during which the collective agreement shall operate and, subject to subsection two, the fixing of a day or days, whether before or after the decision of the arbitrator, to which the terms of the collective agreement may be retroactive.

(2) The arbitrator shall, with all convenient dispatch, determine and decide from time to time the matters that have not been agreed upon mentioned in subsection one, and if the arbitrator decides that rates of wages fixed by or pursuant to a collective agreement to which this Act applies shall be increased other than by reason of a reduction in the number of hours of work required to be performed each week, the increased rates of wages shall be retroactive to a day not later than the day on which the employees return to work pursuant to this Act.

(3) In deciding any matter under this section, the arbitrator shall decide the matter within the limits of the proposals that he determines were made by the railway companies and the unions in respect of that matter at the time negotiations were terminated between them on the twenty-sixth day of August, nineteen hundred and fifty, or were made by either of them after the commencement of this Act at any time before the matter came before him and which narrow these limits, but the arbitrator by his decision shall not provide for a reduction in a rate of wages established pursuant to section three.

(4) Where the arbitrator has decided any matter not agreed upon between a railway company and a union mentioned in subsection one, the railway company and the union shall give effect to the decision and shall conclude a collective agreement for that purpose and until they do so the collective agreement to which this Act applied to which they are parties shall be deemed for the purposes of The Industrial Relations and Disputes Investigation Act to have been amended, mutatis mutandis, to give effect to the decision and to have effect, notwithstanding anything in the Act, for the term fixed by the arbitrator, but nothing in this section shall be deemed to limit or restrict the rights of parties to the agreement to agree to vary or amend any of the terms of the agreement as so amended and to give effect thereto.

(5) The arbitrator may establish the procedure to be followed for the purposes of the arbitration.

(6) The arbitrator shall for the purposes of the arbitration, have all the powers conferred on a conciliation board under sections thirty-three and thirty-four of The Industrial Relations and Disputes Investigation Act for the purpose of conciliation proceedings.

6. No person acting on behalf of a railway company shall refuse to permit or direct another person to refuse to permit an employee who has gone on strike before the commencement of this Act to return to the performance of the duties of his employment with the railway company or discharge, or authorize or direct another person to discharge such an employee by reason of the employee having gone on strike.

7. Each person who at the beginning of the strike of employees now existing was authorized on behalf of a union to bargain collectively with a railway company for the revision or amendment of a collective agreement to which this Act applies, shall forthwith give notice to the members of the union that any declaration, authorization or direction to go on strike, declared, authorized, or given to them before the commencement of this Act has become invalid by reason of the coming into force of this Act.

8. In this Act

- (a) "arbitrator" means an arbitrator appointed under section five;
- (b) "collective agreement to which this Act applies" means a collective agreement between a railway company and a union the revision or amendment of which was the subject of negotiations between the railway company and the union on the twenty-first day of August, nineteen hundred and fifty, under the provisions of The Industrial Relations and Disputes Investigation Act;
- (c) "employee" means an employee of a railway company bound by a collective agreement to which this Act applies, or on whose behalf such a collective agreement has been entered into between the railway company and a union representing the employee;

- (d) "railway company" means a company, commission or association listed in Schedule A;
- (e) "union" means a trade union listed in Schedule B; and
- (f) other words and expressions have the same meaning as in The Industrial Relations and Disputes Investigation Act.

SCHEDULE A

Canadian Pacific Railway Company

Dominion Atlantic Railway Company

Esquimalt and Nanaimo Railway Company

Quebec Central Railway Company

Canadian Pacific Express Company

Eastern Abattoirs Limited, Montreal, Quebec

New Brunswick Cold Storage Company Limited, Saint John, N.B.

Canadian National Railways

Canadian National Railway Company

Montreal and Southern Counties Railway Company

Niagara, St. Catharines and Toronto Railway Company

Thousand Islands Railway Company

Canadian National Telegraph Company

Canadian National Steamship Company Limited

Canadian National Transportation Limited, Port Arthur, Ontario.

Northern Alberta Railway Company

Montreal Stockyards Company

Toronto Terminals Railway Company

The Public Markets Limited, St. Boniface, Man.

Ontario Northland Transportation Commission

The Toronto, Hamilton and Buffalo Railway Company

Vancouver Hotel Company Limited.

The Railway Association of Canada.

SCHEDULE B

Commercial Telegraphers' Union of North America

Brotherhood of Railway Signalmen of America

International Brotherhood of Electrical Workers

Canadian Brotherhood of Railway Employees and Other Transport Workers

Brotherhood of Express Employees

The Order of Railroad Telegraphers

Brotherhood of Maintenance of Way Employees

Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express
and Station Employees

International Brotherhood of Blacksmiths, Drop Forgers and Helpers

International Association of Machinists

United Association of Journeymen and Apprentices of the Plumbing and Pipe
Fitting Industry of the United States and Canada

Brotherhood of Railway Carmen of America

International Brotherhood of Boiler Makers, Iron Ship Builders and Helpers
of America

Sheet Metal Workers' International Association

International Moulders and Foundry Workers' Union of North America

International Brotherhood of Firemen and Oilers, Power Plant Employees
Roundhouse and Railway Shop Labourers

Hotel and Restaurant Employees and Bartenders' International Union.

APPENDIX B

EMPLOYMENT EFFECT OF 1950 STRIKE

The following table gives the most complete information available as to the numbers of workers on the railways and ancillary services who were on strike or laid off because of the strike, together with those who remained at work. Although the table is for August 28, it is considered to represent fairly accurately the situation that existed throughout the entire strike period.

TABLE B-1

Preliminary Estimate of Number of Railway Workers on Strike, Laid off and Still at Work, August 28, 1950

	<u>CNR</u>	<u>CPR</u>	<u>Other railways</u>	<u>Total</u>
Number on Strike:				
Railway Transportation	73,000	47,000 ^{1/}	3,000	123,000
Hotels	1,650			1,650
Water Transportation	350	700		1,050
	<hr/>	<hr/>	<hr/>	<hr/>
Total on Strike	75,000	47,700	3,000	125,700
Number Laid Off:				
Running Trades	16,500	16,000 ^{2/}		32,500
Sleeping and Dining Car Staffs		2,000		2,000
Extra Gangs	4,000	3,000		7,000
Water Transportation		1,300		1,300
Other railways—miscellaneous			3,500	3,500
	<hr/>	<hr/>	<hr/>	<hr/>
Total Laid Off	20,500	22,300	3,500	46,300
Number at Work:				
Hotels	500	4,100		4,600
Others	8,000	8,900		16,900
Other railways—miscellaneous			5,500	5,500
	<hr/>	<hr/>	<hr/>	<hr/>
Total at Work	8,500	13,000	5,500 ^{3/}	27,000
Grand Total	<u>104,000</u>	<u>83,000</u>	<u>12,000</u>	<u>199,000</u>

^{1/} Includes 4,600 express employees engaged by a subsidiary company.

^{2/} Includes some smaller groups of employees such as yardmasters, signalmen, news agents, restaurant employees and communications personnel, numbering in all around 2,000.

^{3/} The principal railways, among fifteen operating are the New York Central, The Algoma Central, the Pacific Great Eastern and the Sydney and Louisburg.

Subsequent reports from local Employment Offices as to lay-offs involving more than 25 workers form the basis of the following table covering the whole strike period:

TABLE B-2

Lay-offs of Non-railway Workers as a Result of
Railway Strike, August 1950

<u>Industry</u>	<u>Atlantic</u>	<u>Quebec</u>	<u>Ontario</u>	<u>Prairies</u>	<u>Pacific</u>	<u>Canada</u>
Logging					45	45
Coal Mining	3,615			4,150	590	8,355
Metal Mining		75	3,000		415	3,490
Manufacturing:						
Food Products	1,260		1,420	1,360	40	4,080
Wood Products		400			180	580
Textiles		45	120	30		195
Paper Products	155		425		15	595
Iron and Steel	50	540	1,500	175		2,265
Chemicals	190	215	330	155	150	1,040
Petroleum Products				45		45
Non-metallic Minerals	325	625	325	40	35	1,350
Non-ferrous Metals				40		40
Electrical Apparatus		65	35			100
Construction & Maintenance	60			70		130
Transportation & Communications		120	90	360	380	950
Trade				130		130
Service					40	40
Total	<u>5,655</u>	<u>2,085</u>	<u>7,245</u>	<u>6,555</u>	<u>1,890</u>	<u>23,430</u>

APPENDIX C

Canadian Pacific Railway Company
Operating Rail Statistics, 1923 to 1965

TABLE C-1

<u>Year</u>	<u>Number of Employees</u>	<u>Total Payroll</u> (\$ thousands)	<u>Payroll Charged to Operating Expenses</u> (\$ thousands)	<u>Ratio of Operating Payroll to Revenue</u> (%)	<u>Ratio of Rail Expenses to Revenues</u> (%)
1923	::	::	::	::	81.00
1924	::	::	::	::	80.52
1925	::	::	::	::	77.29
1926	68,778	102,336	99,352	45.71	75.79
1927	71,465	109,427	105,685	47.73	78.50
1928	75,709	117,488	113,000	44.92	75.37
1929	74,274	115,263	110,453	47.34	77.31
1930	69,740	108,090	102,660	52.32	78.36
1931	60,461	89,231	84,706	54.71	80.31
1932	53,411	73,383	71,530	54.83	80.92
1933	49,412	63,058	61,876	51.38	78.78
1934	50,650	65,317	64,137	48.61	76.75
1935	50,974	69,797	68,459	50.63	79.71
1936	52,427	73,696	71,846	49.90	80.03
1937	52,139	77,495	75,016	49.51	80.40
1938	49,809	78,034	76,673	50.99	81.80
1939	48,689	78,529	77,265	48.33	77.93
1940	50,602	82,832	81,554	44.79	74.98
1941	56,592	99,276	95,194	40.57	72.00
1942	60,364	113,647	108,763	39.95	71.77
1943	64,830	125,928	120,757	38.42	73.02
1944	68,003	148,842	142,729	42.34	79.14
1945	70,778	151,166	144,626	43.09	81.75
1946	70,859	160,416	153,309	48.74	86.80
1947	72,354	174,151	166,369	48.46	87.38
1948	75,176	207,669	198,164	52.15	92.23
1949	76,917	213,545	202,749	52.01	92.06
1950	74,627	208,565	197,921	48.77	86.06
1951	80,286	247,782	235,977	51.26	89.15
1952	83,848	269,327	253,430	51.41	88.92
1953	83,411	281,151	264,775	51.99	89.66
1954	75,289	256,596	244,179	52.96	89.26
1955	75,122	261,401	249,533	51.10	85.96
1956	78,602	289,231	275,336	50.19	92.18
1957	77,142	285,695	270,806	51.06	92.57
1958	70,817	278,577	265,672	51.97	92.57
1959	67,842	282,099	268,574	51.26	92.81
1960	62,777	268,221	254,402	50.66	92.93
1961	59,321	270,236	257,175	50.35	92.31
1962	57,778	266,554	249,908	50.27	93.83
1963	57,066	271,230	253,408	48.86	92.91
1964	57,511	283,863	264,946	47.75	91.90
1965	55,810	292,809	271,520	47.92	92.57

Source: D.B.S., Canadian Pacific Railway Company, (Catalogue No. 52-202).

APPENDIX D

Canadian National Railways—Operating Statistics,
1923 to 1965

TABLE D-1

Year	Number of Employees	Total Payroll (\$ thousands)	Payroll Charged to Operating Expenses (\$ thousands)	Ratio of Operating Payroll to Revenues (%)	Ratio of Operating Expenses to Revenues (%)
1923	107,007	153,884	137,457	53.49	91.78
1924	101,489	145,622	129,423	54.02	92.50
1925	98,382	143,963	129,790	52.04	86.72
1926	102,890	151,945	135,225	49.90	82.50
1927	103,540	159,250	140,457	51.10	84.88
1928	107,602	168,728	149,790	49.18	81.99
1929	109,096	173,079	151,494	52.15	85.59
1930	101,046	159,981	143,348	57.12	91.17
1931	91,416	139,785	126,951	63.32	99.41
1932	76,616	106,912	99,693	61.88	96.34
1933	70,625	95,632	89,631	60.35	96.16
1934	74,774	98,408	91,987	55.78	92.14
1935	75,053	104,862	96,815	55.90	91.77
1936	78,836	111,221	102,534	54.94	91.89
1937	79,471	117,805	108,301	54.59	91.12
1938	74,953	116,526	107,870	59.19	96.67
1939	78,129	122,354	112,494	55.19	89.77
1940	82,831	132,584	121,146	48.94	81.82
1941	89,536	153,654	140,442	46.15	78.12
1942	94,592	177,043	161,592	43.02	76.93
1943	101,126	195,555	181,351	41.16	73.64
1944	102,764	222,649	206,392	46.78	82.18
1945	105,624	220,508	204,689	47.19	81.91
1946	105,353	237,336	220,738	55.10	89.18
1947	108,440	258,338	239,057	54.55	90.63
1948	111,072	305,398	280,749	57.15	94.60
1949	111,806	311,042	284,515	56.82	95.56
1950	112,874	318,208	295,666	53.39	89.20
1951	121,199	381,654	350,713	56.13	92.85
1952	127,930	405,541	379,352	56.18	94.02
1953	126,477	447,744	402,446	57.77	94.61
1954	118,949	410,658	374,845	58.51	97.79
1955	116,853	411,606	375,643	54.99	92.08
1956	124,034	463,843	423,597	54.67	93.96
1957	121,974	471,390	427,814	56.80	100.27
1958	110,559	451,543	410,113	58.18	102.02
1959	109,061	469,893	422,119	57.03	100.23
1960	101,799	442,002	400,201	57.74	101.83
1961	97,274	450,418	412,485	58.07	101.67
1962	95,775	453,826	412,181	55.78	100.08
1963	90,639	459,431	418,626	55.61	98.75
1964	90,992	486,716	445,632	54.18	98.66
1965	91,378	513,600	482,433	55.44	98.33

Source: D.B.S., Canadian National Railways, (Catalogue No. 52-201).

APPENDIX E

MASTER AGREEMENT

dated

MONTREAL, MARCH 14, 1967

between

CANADIAN NATIONAL RAILWAYS
CANADIAN PACIFIC RAILWAY COMPANY
TORONTO, HAMILTON & BUFFALO RAILWAY
ONTARIO NORTHLAND RAILWAY
ALGOMA CENTRAL RAILWAY
THE MIDLAND RAILWAY COMPANY
OF MANITOBA
THE CUMBERLAND RAILWAY COMPANY

and

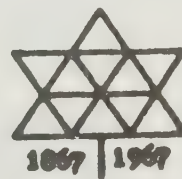
THEIR NON-OPERATING EMPLOYEES

represented by

ASSOCIATED RAILWAY UNIONS
SIGNATORY HERETO

re :

Application of Wage Increases; Annual Vacations;
Health and Welfare; Job Security; Technological,
Operational, Organizational changes;
Bereavement Leave; and
other changes



MASTER AGREEMENT

PREAMBLE

IT IS HEREBY AGREED that existing collective agreements between the Railways and the Organizations signatory hereto, as specified in Appendix "A" to this agreement, are amended to conform to the following provisions of this agreement except that these provisions shall not apply to positions which are located on Canadian National lines in the United States and which come within the scope of the aforementioned collective agreements.

ARTICLE I — WAGE INCREASES

All basic hourly, daily, monthly and mileage rates of pay will be increased as follows:

- (i) Effective January 1, 1966, an increase of 4% calculated on the basic rates of pay in force at December 31, 1965; and
- (ii) effective July 1, 1966, a further increase of 4% calculated on the basic rates of pay in force at December 31, 1965; and
- (iii) effective January 1, 1967, a further increase of 7% calculated on the basic rates of pay in force at December 31, 1965; and
- (iv) effective July 1, 1967, a further increase of 3% calculated on the basic rates of pay in force at December 31, 1965; and
- (v) effective January 1, 1968, a further increase of 0% calculated on the basic rates of pay in force at December 31, 1965.

ARTICLE II — STANDARDIZATION OF CLASSIFICATIONS AND ADJUSTMENT OF JOB RATES

(a) As soon as possible following the signing of this Master Agreement, studies shall be made of all jobs with a view to standardizing classifications and adjusting any job rate in any union group where it can be found that such rate is inequitable in its relationship with other job rates within such union group.

(b) The provisions of Clause (a) will not preclude the parties in respect of the study being conducted within any individual union group from using for comparative purposes, by mutual agreement, any classification or job rate in another railway union group.

(c) The studies referred to in Clause (a) hereof are solely for the purpose of reviewing job rates and classifications in order to eliminate any inequities that have been found to exist and are not for the purpose of establishing wage adjustments of a general nature, nor of producing an increase, decrease or maintenance of existing payroll costs.

(d) The method to be used for the studies will be as agreed upon during the negotiations and known as the "Significant Differences Method."

(e) Nothing shall prevent mutual agreement being reached between any particular union and more than one of the railway companies pursuant to which such study with respect to such union will embrace the railway companies with which such arrangement has been made.

(f) When each study provided for herein has been completed in respect of all employees of each railway or railways represented by a particular union, revised classifications and increased job rates that have been agreed upon shall be made effective on the first day of the calendar month next following the date both parties agree that the study has been completed, except that where a study is completed between July 1st, 1967 and December 31st, 1967, revised classifications and increased job rates that have been agreed upon shall be made effective July 1st, 1967; and where a study is completed subsequent to December 31st, 1967, revised classifications and increased job rates that have been agreed upon shall be made effective six months prior to the first day of the calendar month next following the date the study is completed.

(g) If as a result of the process provided in this Article II, a job is re-evaluated at a lower rate, the employee on that job shall continue to receive the job rate in effect prior to completion of the study until such time as the newly evaluated rate reaches or exceeds the former rate or until an employee declines subsequent to the completion of the study in his union, to exercise his seniority rights at his home terminal to a higher rated position for which he is qualified. However, in the case of any change in the personnel on such job, the re-evaluated job rate shall be effective and any employee newly placed on such job shall be paid the re-evaluated job rate.

(h) In the event the parties are unable to agree upon any reclassification of a job, or jobs, or change in a job rate, or job rates, the matters in dispute under Clause (a) shall be submitted to a referee for final determination but in no event shall final settlement of all matters involved in these studies, either by mutual agreement or by third party determination, be later than June 30th, 1968.

ARTICLE III — LIFE INSURANCE AND WEEKLY INDEMNITY BENEFITS

Effective January 1st, 1967, and subject to agreement with all unions party thereto, the Supplemental Agreement governing the Non-Operating Employees Benefit Plan shall be amended to provide for life insurance coverage to be increased from \$1,500 to \$2,000 for each participating employee.

Effective January 1st, 1968, and subject to agreement with all unions party thereto, the Supplemental Agreement governing the Non-Operating Employees Benefit Plan shall be amended in respect of the eligibility for and payment of weekly indemnity benefits on account of sickness to provide for such weekly indemnity benefit payments to commence on the fourth day of absence account sickness instead of the eighth day as at present; and, in respect of employees covered by this Master Agreement, the present weekly indemnity provisions shall be amended to increase the present \$50.00 to \$55.00 and to increase the existing maximum period of thirteen weeks during which weekly indemnity payments are payable for any one injury or illness to eighteen weeks.

The increased premiums attached to these improved benefits shall, until it is exhausted, be charged against the Special Fund established by the existing Supplemental Agreement pursuant to Article II of the Master Agreement of July 17th,

1964. Should this Special Fund become exhausted, the amount necessary to pay the premiums for life insurance and weekly indemnity coverage shall be shared equally by the railway and the employee in the same manner as presently provided in the Supplemental Agreement.

Pending agreement being reached to amend the Supplemental Agreement with all unions party thereto, the foregoing increased benefits shall be made effective on the dates specified through a separate policy or policies to be underwritten in respect of employees covered by this Master Agreement and the premiums attached thereto shall be shared equally by the railway and each participating employee.

ARTICLE IV — BEREAVEMENT LEAVE

Effective January 1st, 1967, an employee shall, after having completed one year of cumulative compensated service, be entitled during each subsequent service year, to leave of absence with pay up to a maximum of three working days in the event of a bereavement or bereavements due to the death of spouse, child or parent who is domiciled with him, such leave to be for the purpose of arranging and attending the funeral of the deceased or for such other requirement that would reasonably have necessitated a working day off duty. A dependent or unmarried child living other than in the employee's residence shall be regarded as domiciled therein.

If a bereavement or bereavements due to the death of spouse, child or parent who does not reside with the employee should occur, leave of absence with pay necessary to attend the funeral will be granted, including reasonable time travelling if required, up to a maximum of three working days in each service year.

ARTICLE V — ANNUAL VACATIONS

(a) An employee who at the beginning of the calendar year has not less than thirty days' employment relationship, shall be entitled to one working day's vacation with pay for each 25 days' cumulative service, or major portion thereof, during the preceding calendar year, with a maximum of ten working days until qualifying for further vacation under Section (b) hereof.

(b) Effective January 1, 1967, an employee who at the beginning of the calendar year has maintained a continuous employment relationship for at least twelve years and has completed 3,000 days' cumulative service shall be allowed fifteen working days' vacation with pay during such year, and in subsequent years shall be allowed one working day's vacation with pay for each $16\frac{2}{3}$ days' cumulative service, or major portion thereof, during the preceding calendar year, with a maximum of fifteen working days, until qualifying for further vacation under Section (c) hereof.

(c) Effective January 1, 1968, an employee who at the beginning of the calendar year has maintained a continuous employment relationship for at least twenty-two years and has completed 5,500 days' cumulative service shall be allowed twenty working days' vacation with pay during such year, and in subsequent years shall be allowed one working day's vacation with pay for each $12\frac{1}{2}$ days' cumulative service, or major portion thereof, during the preceding calendar year, with a maximum of twenty working days.

NOTE : Where methods relating to the calculation of vacations may differ from the foregoing such methods will continue to apply.

ARTICLE VI — JOB SECURITY

As soon as may be mutually agreed by all unions concerned, there shall be established a joint committee of eight members drawn from the Executive Officers of the Unions and a like number from the Railways signatory to the Job Security Agreement dated November 16th, 1964, which shall study the existing Job Security Plan in conjunction with existing and proposed Government programs and make recommendations to their respective principals upon the need for expansion of the purposes for which payments shall be made out of the existing Job Security Funds; upon the need for any increase in the existing weekly benefit of \$12.00; for any change in the period of qualification and any reduction in the present 30 day waiting period. Such recommendations shall be made not later than six months following the date of commencement of the study and if, within 60 days thereafter, agreement between the principals has not been reached, either party may refer the matter to a referee for final and binding

determination. If the parties fail to agree on the naming of a referee the Minister of Labour shall be requested to do so. The expenses of such referee shall be borne equally by the parties.

ARTICLE VII — TECHNOLOGICAL, OPERATIONAL AND ORGANIZATIONAL CHANGES

1. It is agreed between the parties that on the introduction by the Company of technological, operational and/or organizational changes the following provisions will apply:

- (a) the Company will not put into effect any such change which is likely to be of a permanent nature and which may effect a material change in working conditions with adverse effects on employees covered by this agreement without giving as much advance notice as possible of any such proposed change to the unions concerned and, in any event, not less than 90 days if a relocation of employees is involved and 60 days' notice in other cases, with a full description thereof and with appropriate details as to the consequent changes in working conditions and the number of employees who would be adversely affected;
- (b) that it will negotiate with the Unions measures to minimize the adverse effects of the proposed change on employees, which measures may, for example, be with respect to severance, loss of wages, expenses of moving and travelling of employees required to relocate, retraining and the merging of seniority lists within organizations and/or such other measures as may be appropriate in the circumstances.

2. If the negotiations do not result in mutual agreement within thirty calendar days of the commencement of such negotiations, or such other period as may be agreed upon between the parties, the matter shall be referred immediately for mediation to a Board of Review, on which each of the parties will be equally represented by senior officers.

3. The Board of Review shall, within a fixed period to be determined by it, make its findings and recommendations. If such recommendations are not acceptable to either party, the matters remaining in dispute shall be referred immediately

for decision to a referee selected by the parties, or, failing that, appointed by the Minister of Labour. The matters to be decided by the Referee shall not include any question as to the right of the Company to make the change, which right the Unions acknowledge, but shall be confined to measures for minimizing the adverse effects of the change; and if there is also a dispute with respect thereto, to the question as to whether such change would materially or permanently affect working conditions.

4. The decision of the Referee shall be final and binding.
5. These provisions do not cover cases where:
 - (a) workers are affected by a recognizable general decline in business activity, such as a recession or by fluctuations in traffic;
 - (b) the workers affected are casual workers subject to irregular employment because of the nature of the work they perform or seasonal employees outside their normal period of employment;
 - (c) there is a normal reassignment arising out of the nature of the work in which the employees are engaged.

ARTICLE VIII — PAY EVERY TWO WEEKS

The unions will co-operate fully with the Railway so that the Railway can, with such co-operation from all unions concerned, establish the pay period for all employees on the basis of every two weeks by January 1, 1968.

ARTICLE IX — NEGOTIATIONS DURING THE TERM OF THE CURRENT COLLECTIVE AGREEMENTS

The parties to each collective agreement specified in Appendix "A" to this agreement confirm the desirability of settling by mutual agreement, during the term of this agreement, any matter that is a source of dissatisfaction to either party, the settlement of which requires a change in such collective agreement, and agree to take every reasonable means to resolve any such matter during the term of this agreement.

If any such matter or matters cannot be settled by mutual agreement during the term of this agreement, such matter or matters may be progressed during the next open period of the collective agreement in accordance with the following conditions:

The issues that any individual union may desire to raise during the next open period of any collective agreement in association with other unions in concerted negotiations can be segregated into the following categories:

1. Common demands advanced by all unions entering into concerted negotiations. Examples: wages, vacations, general holidays, health and welfare, etc.
2. A demand submitted by an individual union which is not and could not be of common interest to all the other unions engaging in concerted negotiations. Examples: A specific pay differential for an employee performing a specific type of work; a specific change in individual seniority rules, etc.
3. A demand submitted by an individual union which, by its nature, is of common interest to all unions and, therefore, could have been made a part of the common demands referred to in Item 1.

Any individual union that desires during the next open period of the collective agreement to enter into concerted negotiations with one or more other unions shall, in addition to the common demands specified in Item 1, be entitled to include in such concerted negotiations, and subsequent Board of Conciliation proceedings, if necessary, any individual demand or demands that can properly be classified under Item 2. This entitlement shall also apply to any individual railway.

If, during the term of this agreement, an individual union has raised an issue or issues coming within the scope of Item 3 above, and such union desires during the next open period to be associated with other unions in concerted negotiations and subsequent Board of Conciliation proceedings, if necessary, then such union will be required to withdraw the Item 3 issue. If, however, a union wishes to progress a matter coming within the scope of Item 3 above, such union must dissociate

itself from the other unions that may be negotiating in concert and negotiate independently with such railway in respect of all of its demands.

ARTICLE X — DEDUCTION OF DUES

Effective January 1, 1967, deductions for union dues shall commence on the payroll for the last pay period of the calendar month following completion of thirty calendar days after date of first service in a position subject to a collective agreement between parties signatory to this Agreement, provided that in the case of employees coming under agreements with the Brotherhood of Maintenance of Way Employees the deduction shall commence on the payroll for the last pay period of the calendar month following date on which the employee becomes subject to the provisions of the governing agreement; but in no case shall deductions commence earlier than the payroll for the last pay period of the calendar month following completion of thirty calendar days after date of first service.

ARTICLE XI — COVERAGE

Employees who were in the service of the Railways signatory hereto on January 1, 1967, or who were employed subsequent thereto, shall, providing they have not been dismissed from the service or left the service of their own accord prior to March 14th, 1967, be entitled to any amount of increased compensation that may be due them under the terms of this Agreement for the time worked subsequent to December 31st, 1966.

ARTICLE XII — GENERAL

1. This agreement is in full settlement of all requests served upon the railways in November, 1965.
2. Each agreement referred to in the Preamble hereto, as revised to conform with this Master Agreement shall remain in effect until December 31st, 1968, and thereafter subject to sixty days' notice in writing from either party to the agreement of its desire to revise, amend or terminate it. Such notice may be served at any time subsequent to October 31st, 1968.

Signed at Montreal, Quebec, this 14th day of March, 1967.

FOR THE RAILWAYS :

(Sgd.) E. K. HOUSE
For Vice-President, Personnel
and Labour Relations,
Canadian National Railways.

(Sgd.) K. CAMPBELL
For Vice-President, Personnel,
Canadian Pacific Railway Company.

(Sgd.) K. CAMPBELL
For Vice-President &
General Manager,
Toronto, Hamilton and
Buffalo Railway.

(Sgd.) E. K. HOUSE
For General Manager,
Ontario Northland Railway.

(Sgd.) J. C. ANDERSON
For Vice-President,
Rail Operations,
Algoma Central Railway.

(Sgd.) H. ABBOTT
For Vice-President,
The Midland Railway Company
of Manitoba.

(Sgd.) K. CAMPBELL
For General Manager,
The Cumberland Railway Company.

FOR THE EMPLOYEES :

(Sgd.) R. C. SMITH
Chairman,
Negotiating Committee,
Associated Non-Operating Unions.

(Sgd.) F. H. HALL
Associate Chairman,
Negotiating Committee,
Associated Non-Operating Unions.

(Sgd.) E. F. DOWNARD
Vice-Grand President,
Brotherhood of Railway &
Steamship Clerks, Freight
Handlers, Express and
Station Employees.

(Sgd.) R. C. SMITH
Vice-President,
Transportation-Communication
Employees Union.

(Sgd.) J. W. LEBEAU
Vice-President,
International Brotherhood of
Firemen and Oilers, Power Plant
Operators, Helpers, Roundhouse
and Railway Shop Employees.

(Sgd.) H. A. STOCKDALE
Grand Lodge Representative,
Brotherhood of Railroad
Signalmen.

(Sgd.) ROBERT A. TOMLINSON
Vice-President,
The Commercial
Telegraphers' Union.

(Sgd.) C. SMITH
Vice-President,
Brotherhood of Maintenance
of Way Employees.

(Sgd.) A. R. BLANCHETTE
International Field Representative,
Brotherhood of Sleeping Car
Porters, Train, Chair Car,
Coach Porters and Attendants.

APPENDIX "A"

To Master Agreement dated March 14, 1967

Collective Agreements opened for revision by notice served on the Railways by the Unions on or about November 15th, 1965.

<u>ORGANIZATION</u>	<u>CLASSIFICATION OF EMPLOYEES</u>	<u>LOCATION</u>
<u>THE RAILWAY ASSOCIATION OF CANADA</u>		
Brotherhood of Maintenance of Way Employees	Employees in Track and B and B Departments Wage Agreement No. 14	Canadian National Railways
		Canadian Pacific Railway Company
		Dominion Atlantic Railway
		Esquimalt and Nanaimo Railway
		Northern Alberta Railways
		Quebec Central Railway
		Ontario Northland Railway
	Extra Gang Labourers Wage Agreement No. 13	Canadian National Railways
		Canadian Pacific Railway Company
		Dominion Atlantic Railway
		Esquimalt and Nanaimo Railway
		Northern Alberta Railways
		Quebec Central Railway
		Ontario Northland Railway

<u>ORGANIZATION</u>	<u>CLASSIFICATION OF EMPLOYEES</u>	<u>LOCATION</u>
CANADIAN NATIONAL RAILWAYS		
Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Station Employees	Clerks and Other Classes of Employees	Newfoundland Area
	Road Service Employees — Sleeping and Dining Car Department	Newfoundland Area
	Wharf Freight Handlers	Montreal, Que.
Transportation - Communication Employees Union	Train Dispatchers, Traffic Supervisors, Train Controllers, Train Movement Directors, Assistant Train Movement Directors, Agents, Assistant Agents, Agent-Operators, Operators, Operator Clerks, Teleprinter Operators, Operator-Levermen, Towermen	Atlantic, St. Lawrence and Great Lakes Regions
	Train Dispatchers, Agents, Assistant Agents, Agent-Operators, Operators Operator Clerks, Teleprinter Operators, Operator-Levermen, Towermen-Levermen	Prairie and Mountain Regions
	Block Operators — Switch-tenders	Winnipeg Terminals, Portage La Prairie
	Cooks (Atlantic, St. Lawrence and Great Lakes Regions), Groundmen, Climbers, Crew Linemen (N.C.S. District), Cable Splicers, Helpers, Sub-Foremen, Digging and Setting Machine and Compressor Operators, Linemen, Leading Linemen and Foremen	Telecommunications Department
The Commercial Telegraphers' Union	Chief Operators, Operators, Technicians, Clerks and other classes of Employees in the Telecommunications Department	Canadian Lines
Brotherhood of Maintenance of Way Employees	Steel Bridge Workers (Regional Gangs)	Atlantic, Prairie and Mountain Regions
	Maintenance of Way Employees in Frog Reclamation Shops, Rail Reclamation Shop, Line Welding Gangs	Prairie and Mountain Regions

<u>ORGANIZATION</u>	<u>CLASSIFICATION OF EMPLOYEES</u>	<u>LOCATION</u>
<u>CANADIAN NATIONAL RAILWAYS (cont'd)</u>		
	Welding Employees	Atlantic, St. Lawrence and Great Lakes Regions
	Steel Bridge Gangs and Danforth Bridge Shop Employees	Great Lakes Region
	Operators and Helpers of Power Machines in Maintenance of Way Service.	Prairie and Mountain Regions
	Work Equipment Employees	Atlantic, St. Lawrence and Great Lakes Regions
	Employees of Work Equipment Repair Shops and on Line	Prairie and Mountain Regions
	Diving Gangs (Regional Gangs)	Atlantic Region
	Grain Door Repairmen — Lakehead Terminal.	Fort William, Ont.
	Regional Masonry Repair Gangs	Atlantic, St. Lawrence and Great Lakes Regions
	Cooks and Cookees	Atlantic, St. Lawrence and Great Lakes Regions
Brotherhood of Railroad Signalmen	Signal Foremen, Signal Maintainers, Signal Mechanics, Apprentices and Helpers	Canadian Lines

CANADIAN PACIFIC RAILWAY COMPANY

Brotherhood of Maintenance of Way Employees	Rail Reclamation Plant, Saw and Bender, Engineers, Drillers, Marker Checker, etc.	Winnipeg, Man.
	Operators, Power Machines	Lines in Canada
	Employees, Outremont Rail Yard and Frog Shop Employees	Outremont, Quebec

<u>ORGANIZATION</u>	<u>CLASSIFICATION OF EMPLOYEES</u>	<u>LOCATION</u>
CANADIAN PACIFIC RAILWAY COMPANY (cont'd)		
	Employees, Work Equipment Repair Shops	Montreal and Toronto
	Employees, Work Equipment Repair Shops	Winnipeg, Manitoba and Moose Jaw, Sask.
	Employees, Work Equipment Repair Shops	Coquitlam, B.C. and Calgary, Alberta
Brotherhood of Sleeping Car Porters, Train, Chair Car, Coach Porters and Attendants	Sleeping and Parlor Car Porters, including Porters-in-charge and Coach Porters	System
International Brotherhood of Firemen, Oilers, Power Plant Operators, Helpers, Roundhouse and Railway Shop Employees	Stationary Firemen, Oilers, Engine Attendants and Shop Labourers Engine Watchmen	Lines in Canada Prairie and Pacific Regions
Transportation - Communication Employees Union	Train Dispatchers, Traffic Supervisors, Agents, Agent-Operators, Operators, Train Directors and Levermen Linemen, Foremen, Climbers, Groundmen, etc., Telecommunications Department	Lines in Canada Lines in Canada
Brotherhood of Railroad Signalmen	Signal Foremen, Signal Maintainers, Helpers and Fitters Signal Foremen, Signal Maintainers, Helpers and Signal Gang Employees Signal Shop Employees	Prairie and Pacific Regions Eastern and Atlantic Regions, Lines in Canada Westmount, P.Q.
The Commercial Telegraphers' Union	Wire Chiefs, T. & R. Chiefs, Micro-Wave Attendants, Radio Technicians, Morse Traffic Chiefs, Asst. Morse Traffic Chiefs, Automatic Supervisors, Asst. Automatic Supervisors, Printer Traffic Chiefs, Asst. Printer Traffic Chiefs, Equipment Mechanics, Fore-	System

<u>ORGANIZATION</u>	<u>CLASSIFICATION OF EMPLOYEES</u>	<u>LOCATION</u>
<u>CANADIAN PACIFIC RAILWAY COMPANY (cont'd)</u>		
	men Installers, Installers, Installers' Helpers, Teleprinter Operators, Telephone Employees, Telegraphers, Agents, Clerks, Telegraph Offices, Automobile Messengers	
Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees	General Agreement, Freight Shed & Freight Office Staffs, Yard Office Staffs, Locomotive & Car Foremen's Clerks, Stores Staffs, Sleeping Dining and Parlor Car, Dining Car Linen & News Storeroom Staffs, Assistant Agents and such other staffs as enumerated in schedule, excluding West Saint John Elevator Clerical Staff.	Lines in Canada
	Clerks, General Office, Stores Department	Angus Shops, Montreal
	Clerks, Works Manager's Office	Angus Shops, Montreal
	Clerks, Sub-Data Centre	Angus Shops, Montreal
	Clerks, Data Centre	Montreal, Que.
	Clerks, Office of Auditor of Freight Revenues	Montreal, Que.
	Clerks, Office of Auditor of Passenger and Station Accounts	Montreal, Que.
	Clerks, Bureau of Safety, Loss and Damage Prevention	Montreal, Que.
	Clerks, Superintendent's Office	Farnham, Que.

<u>ORGANIZATION</u>	<u>CLASSIFICATION OF EMPLOYEES</u>	<u>LOCATION</u>
<u>CANADIAN PACIFIC RAILWAY COMPANY (cont'd)</u>		
Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees	Red Caps	Windsor St. Stn., Montreal West Stn., Westmount Stn., Park Avenue Stn., Montreal; Palais Stn., Quebec City; and Three Rivers, Que.
	Freight Handlers	Montreal Wharf
	Truckers	Saint Andrew, N.B.
	Checkers and Truckers	Acadia Wharf, Saint John, N.B.
	Sub-Foremen and Checkers	West St. John, N.B.
	Freight Handlers	West St. John, N.B.
	Clerks, Checkers and Truckers	Digby Wharf, N.S.
	Clerks, Data Centre	Toronto, Ont.
	Freight Handlers	Port McNicoll, Ont.
	Coal Handlers	Little Curent, Ont.
	Clerks, Data Centre	Winnipeg, Man.
	Regional Accounting Office, Merchandise Services	Winnipeg, Man.
	Red Cap Porters	Winnipeg, Man., Regina, Sask. and Calgary, Alta.
	Clerks, Works Manager's Offices	Weston Shops, Winnipeg and Ogden Shops, Calgary
	Clerks, Superintendent's Office	Brandon, Man.
	Clerks, Superintendent's Office	Regina, Sask.
	Clerks, Superintendent's Office	Saskatoon, Sask.

<u>ORGANIZATION</u>	<u>CLASSIFICATION OF EMPLOYEES</u>	<u>LOCATION</u>
<u>CANADIAN PACIFIC RAILWAY COMPANY (cont'd)</u>		
Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees	Clerks, Superintendent's Office	Medicine Hat, Alta.
	Clerks, Superintendent's Office	Revelstoke, B.C.
	Clerks, Superintendent's Office	Nelson, B.C.
	Clerks, Data Centre	Vancouver, B.C.
	Red Cap Porters	Vancouver, B.C.
	Freight Shed and Office, Baggage room and Stores Employees of the B.C. Coast Steamship Service	Victoria and Nanaimo Wharves, and Vancouver Wharf Ticket Office, B.C.
	Shipyard Employees	Okanagan Landing, B.C.
	Merchandise Services Dept.	Pacific and Prairie Regions
	Regional Accounting Office, Merchandise Services	Vancouver, B.C.

QUEBEC CENTRAL RAILWAY COMPANY

International Brotherhood of Firemen and Oilers, Power Plant Operators, Helpers, Roundhouse and Railway Shop Employees	Stationary Firemen, Oilers and Shop Labourers	System
Transportation - Communication Employees Union	Dispatchers, Telegraphers and Assistant Agents	System

<u>ORGANIZATION</u>	<u>CLASSIFICATION OF EMPLOYEES</u>	<u>LOCATION</u>
<u>DOMINION ATLANTIC RAILWAY COMPANY</u>		
International Brotherhood of Firemen and Oilers, Power Plant Operators, Helpers, Roundhouse and Railway Shop Employees	Stationary Firemen, Oilers and Shop Labourers	System
Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees	Freight & Yard Office Clerks, Freight Shed and Baggage-room Employees	System
	Waterfront Freight Handlers	Halifax, N.S.
Transportation - Communication Employees Union	Dispatchers, Telegraphers and Assistant Agents	System
Brotherhood of Railroad Signalmen	Signal Maintainers, Helpers and Gang Employees	System
<u>ESQUIMALT AND NANAIMO RAILWAY</u>		
Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees	Freight Office Clerks, Freight Shed Employees, Janitor, Storemen and Clerk Mechanical	Victoria, B.C.
Transportation - Communication Employees Union	Dispatchers, Telegraphers and Assistant Agents	System
<u>GRAND RIVER RAILWAY COMPANY, LAKE ERIE AND NORTHERN RAILWAY COMPANY</u>		
Brotherhood of Maintenance of Way Employees	Employees in Track and B. and B. Departments	System
Transportation Communication Employees Union	Dispatchers, Operators Clerks and Shedmen	System

<u>ORGANIZATION</u>	<u>CLASSIFICATION OF EMPLOYEES</u>	<u>LOCATION</u>
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CANADIAN PACIFIC EXPRESS COMPANY

Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees	Clerks, Warehousemen, Messengers, Helpers and Vehicle Men	System
	Cartage & Garage Employees	System

NORTHERN ALBERTA RAILWAYS COMPANY

Brotherhood of Maintenance of Way Employees	Line Rail Welding Gangs	System
	Power Machine Operators	System
Transportation - Communication Employees Union	Agents, Asst. Agents, Operators, Dispatchers, Linemen, Telecommunications Employees, Express Messengers and Helpers, and Cashier and Clerk in Express Department at Dawson Creek, B.C.	System
Brotherhood of Railroad Signalmen	Signal Maintainers	System

TORONTO TERMINALS RAILWAY COMPANY

Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees	Red Caps	Toronto Union Stn.
Transportation - Communication Employees Union	Train Directors, Levermen, and Telegraphers	Toronto
Brotherhood of Railroad Signalmen	Signal Maintainers and Helpers	Toronto

<u>ORGANIZATION</u>	<u>CLASSIFICATION OF EMPLOYEES</u>	<u>LOCATION</u>
<u>TORONTO, HAMILTON AND BUFFALO RAILWAY</u>		
Brotherhood of Maintenance of Way Employees	Employees in Track and B. and B. Departments	System
Brotherhood of Railroad Signalmen	Signal Maintainers and Helpers	System
Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees	Freight Office, Freight Shed and Yard Office Staffs and such other staffs at certain locations as enumerated in the schedule	System
Transportation - Communication Employees Union	Agent-Operators, Operators and Assistant Agents	System
<u>ONTARIO NORTHLAND RAILWAY</u>		
International Brotherhood of Firemen and Oilers, Power Plant Operators, Helpers, Roundhouse and Railway Shop Employees	Stationary Firemen, Oilers and Shop Labourers	System
Brotherhood of Railroad Signalmen	Signal Foremen, Signal Maintainers and Helpers	System
Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees	Clerks, General Offices	North Bay, Englehart, Cochrane and Timmins, Ont.
Transportation - Communication Employees Union	Agents, Operators, Dispatchers and Linemen	System
	Communications Department Employees, Long Distance Telephone Operators and Testing and Regulating Employees	System

<u>ORGANIZATION</u>	<u>CLASSIFICATION OF EMPLOYEES</u>	<u>LOCATION</u>
<u>ALGOMA CENTRAL RAILWAY</u>		
Transportation - Communication Employees Union	Train Dispatchers, Station Agents and Staff, Telegraph Operators and Linemen	System
Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees	General Office, Yard Office, Freight Office and Freight Shed Employees	Sault Ste. Marie, Steelton, Ont.
Brotherhood of Maintenance of Way Employees	Employees in Track and B. & B. Department	System
International Brotherhood of Firemen and Oilers, Power Plant Operators, Helpers, Roundhouse and Railway Shop Employees	Staffs employed at	Sault Ste. Marie and Michipicoten Coal Docks, Ont.

THE MIDLAND RAILWAY COMPANY OF MANITOBA

Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees	Freight Office, Freight Shed Staffs and Yard Office Clerical	Lines in Canada
Brotherhood of Maintenance of Way Employees	Section Forces	Lines in Canada

THE CUMBERLAND RAILWAY COMPANY

Transportation - Communication Employees Union	Train Dispatchers and Telegraphers	System
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APPENDIX F

FEDERAL LABOUR LEGISLATION, 1872 to 1965

<u>DATE</u>	<u>NAME OF ACT</u>	<u>MAIN PROVISIONS</u>
1872	Trade Unions Act	Registered trade unions were freed from criminal liability for acts in restraint of trade.
1872	Criminal Law Amendment Act	Unions were made liable for criminal prosecution if employer coerced by a strike.
1876	Act of 1876	Peaceful picketing to obtain or communicate information was declared legal. Individuals were not liable for prosecution for acts connected with union activity, unless the acts were specifically forbidden by law.
1877	Breaches of Contract Act	Breaches of contract of service were not criminal, unless they endangered life or property, interrupted public utilities or train service.
1900	Conciliation Act	Department of Labour was established. Minister of Labour was authorized to appoint conciliators at the request of either party, or an arbitrator at request of both parties.
1903	Railway Labour Disputes Act	The Minister of Labour was authorized to appoint conciliators in railway disputes at the request of either party, municipality involved or at his own discretion. Failing settlement, the dispute could be referred to non-binding arbitration, the arbitrator's report to be published in the Labour Gazette.

1907	Industrial Disputes Investigation Act	Compulsory non-binding investigation of disputes in mining, transport, communication and public utilities before strike or lockout.
1918	I.D.I. Act Amendment	The Minister of Labour was empowered to order compulsory investigation of disputes, at the request of a municipality or at his own discretion.
1925	I.D.I. Act Amendment	Restricted the Act's application to disputes falling under federal jurisdiction.
1939	Criminal Code Amendment— Section 502a	It became unlawful for an employer to dismiss a worker for union activity.
1944	Wartime Labour Relations Regulations (P.C. 1003)	The I.D.I. Act was suspended. Wartime Labour Relations Board was established. The parties became legally obligated to negotiate in good faith.
1948	Industrial Relations and Disputes Investigation Act	Repealed I.D.I. Act; Revoked P.C. 1003; and combined most of the features of both Acts.
1965	Labour (Standards) Code	Regulation pertaining to hours of work, minimum wages, annual vacations, holidays with pay in federal works, undertakings and businesses, and other terms and conditions of work.

APPENDIX G

LES RELATIONS OUVRIERES-PATRONALES DANS L'INDUSTRIE FERROVIAIRE

RESUME

INTRODUCTION

Parmi les nombreux facteurs qui ont influé sur l'élaboration des conventions collectives dans l'industrie ferroviaire, quatre surtout ont constamment joué. Le premier est l'intervention de l'Etat dans le développement de l'industrie ferroviaire. En accordant aux chemins de fer une aide financière relativement importante et en leur concédant avec libéralité les terres domaniales, l'Etat a donné à la population l'impression qu'il participe ou devrait participer activement, à titre d'associé, à la conduite des affaires des chemins de fer. Tour à tour, les gouvernements ont eu recours à ce concept pour justifier leur ingérence dans l'administration des chemins de fer. S'appuyant sur le même raisonnement, les cheminots se sont opposés à ce qu'on ne détermine les salaires et les conditions de travail qu'en fonction des ressources financières propres aux chemins de fer. Le second facteur est le rôle que l'Etat a voulu faire jouer aux chemins de fer dans le développement économique de l'ensemble du Canada. Pour concrétiser cette mission, le gouvernement a adopté diverses lois relatives à l'organisation matérielles, à l'exploitation et à la tarification des services des chemins de fer. Aucune autre industrie, dans le secteur public ou privé, n'est assujettie à

une réglementation aussi rigide. Les chemins de fer ont été forcés de poursuivre l'exploitation de lignes non rentables, de garder ouvertes des gares quasi désertes, témoins d'une ère révolue, de se contenter dans certains cas de taux de transport de beaucoup inférieurs au coût réel du transport, etc. En somme, on a considéré les chemins de fer comme des instruments de politique économique, qu'il n'était pas nécessaire de rémunérer lorsqu'ils assuraient certains services d'intérêt national. Un tel état de choses élimina pour ainsi dire les négociations collectives dans l'industrie ferroviaire, car les chemins de fer refusaient de discuter toute proposition de nature à accroître les frais de main-d'oeuvre sans obtenir d'avance du gouvernement l'assurance que les tarifs seraient relevés proportionnellement. Le troisième facteur est l'incapacité constante du gouvernement d'imposer le respect de la partie de la Loi sur les enquêtes visant les différends du travail qui demande aux parties de poursuivre de bonne foi des négociations collectives. Les choses auraient peut-être changé si le ministre du Travail n'avait institué des commissions de conciliation que si les parties avaient vraiment négocié au préalable. Le quatrième facteur est le recours répété à la conciliation même quand on savait fort bien, depuis longtemps, qu'elle servait à remplacer les négociations collectives au lieu de les compléter.

Les négociations collectives

Il faut savoir dès le début que rien ne peut remplacer les négociations collectives dans un climat de liberté. Lorsqu'une partie les interrompt, les ralentit ou en restreint arbitrairement la portée, ce n'est pas le droit aux négociations collectives libres qui doit être mis en doute, c'est bien plutôt le bien-fondé des restrictions proposées qui doit être démontré. La partie qui, par exemple, voudrait que des négociations fussent terminées

dans un délai donné devrait justifier non seulement la limite de temps elle-même, mais aussi les mesures qui s'imposeraient par voie de conséquence.

Il n'y a pas eu de véritables négociations collectives dans l'industrie ferroviaire parce qu'une des deux parties, les chemins de fer, a refusé de participer au processus. Les chemins de fer ont soit rejeté catégoriquement les exigences des syndicats, affirmant que la rémunération et les conditions de travail étaient "justes et raisonnables", soit demandé que les syndicats proposent "le règlement qui leur semblait équitable". Rien ne témoigne de leur part d'un effort quelconque pour présenter et pour défendre leurs propres normes de solution. Il leur est arrivé de proposer quelque chose en contrepartie des demandes syndicales, mais, invariablement, ces propositions ont été rejetées par les syndicats et par les commissions de conciliation parce qu'elles étaient sans rapport avec le litige ou parce qu'elles n'offraient aucune prise à la négociation. Nombre de ces prétendues contre-propositions étaient de toute évidence conçues de façon qu'on ne puisse que les rejeter, et elles auraient pu servir de motif valables pour accuser les chemins de fer de mauvaise foi dans les négociations.

D'ordinaire, au lieu de présenter des solutions de rechange et d'en établir la valeur, les chemins de fer s'efforçaient avant tout de faire ressortir les points faibles des formules et des énoncés des propositions syndicales. L'orientation quasi juridique des commissions de conciliation leur facilitait la tâche. Ceux qui connaissent bien le fonctionnement de ces commissions reconnaissent généralement que les résultats eussent été bien plus satisfaisants et que le mécanisme des négociations collectives eût bien moins souffert si les commissions de conciliation avaient: a) exigé, avant d'intervenir, que les chemins de fer présentent de véritables contre-

propositions; b) refusé de mettre fin à leur intervention avant que les parties ne se montrent vraiment disposées à négocier; c) refusé de formuler leur projet de solution avant que les parties en cause ne se soient vraiment efforcées de réduire l'écart qui les séparaient; d) adopté dans leurs travaux la méthode de la table ronde.

Pour expliquer leur refus d'accorder d'eux-mêmes aux syndiqués la moindre amélioration de contrat qui puisse accroître les frais d'exploitation et pour justifier leur extrême hésitation à participer à des négociations collectives avant et après la mise en marche du mécanisme de la conciliation, les chemins de fer ont soutenu que la loi les empêche de modifier d'eux-mêmes les services et les taux existants pour compenser l'augmentation des frais d'exploitation. Les chemins de fer craignaient que la moindre offre de leur part de relever les salaires directs et indirects ne donne à entendre au Gouvernement et à la Commission des transports qu'il y avait moyen de faire face à l'augmentation des frais sans hausser les tarifs. Les chemins de fer ne voulaient pas créer une telle impression même dans les cas où il était inutile ou impossible de relever les taux. Compte tenu de la lutte livrée par les chemins de fer pour se libérer de la réglementation de l'Etat, ils avaient intérêt à soutenir la thèse selon laquelle aussi longtemps que cette réglementation subsisterait, la population devrait défrayer la hausse des salaires directs et indirects, soit par la hausse des tarifs, soit au moyen de subventions. Dans bien des cas, il était évident que les "crises" qui éclataient au niveau des relations ouvrières-patronales n'avaient rien à voir à ces relations. Il s'agissait plutôt de conflits entre le gouvernement et les chemins de fer au sujet de la nature et de la portée de la réglementation de l'exploitation ferroviaire. Afin d'exercer des pressions

continuelles pour que le gouvernement adoucisse cette réglementation rigide, l'industrie ferroviaire avait intérêt à créer un climat de crise chaque fois qu'une nouvelle convention devait être signée, de façon à forcer de la sorte le gouvernement à revoir l'ensemble du problème ferroviaire. Pour juger des résultats, il suffit de penser au nombre de fois que les syndicats ont dû se préparer à entrer en grève et au nombre de fois que le gouvernement a été dans l'obligation d'adopter des mesures législatives d'urgence contre de telles grèves.

De 1946 à 1968, les syndicats ont mis en place les mécanismes de grève six fois (1947, 1948, 1954, 1958, 1960, 1961) et ont déclenché deux grèves (1950, 1966). En 1950, le Parlement ordonna aux cheminots de retourner au travail—Loi sur le maintien de l'exploitation des chemins de fer—et imposa l'arbitrage obligatoire. En 1960, une loi émanant du Parlement interdit aux cheminots de se mettre en grève—Loi sur la continuation de l'exploitation des chemins de fer. En 1966, le Parlement, qui s'était ajourné pour l'été, a été rappelé afin d'adopter la Loi de 1966, sur le maintien de l'exploitation des chemins de fer, qui imposait la reprise de l'exploitation ferroviaire et le recours à la médiation pour régler le différend.

Rôle du Gouvernement dans les différends

En interdisant le déclenchement d'une grève, le gouvernement met obstacle au libre jeu des négociations collectives. Si l'Etat estime que son intervention doit aller au-delà des lois existantes, entre autres la Loi sur les relations industrielles et sur les enquêtes visant les différends du travail, c'est semble-t-il parce que ces lois sont insuffisantes.

La Loi sur les relations industrielles et sur les enquêtes visant les différends du travail accorde aux cheminots le droit de grève; pourtant,

le gouvernement a montré à maintes reprises qu'il ne tolérera ni le prolongement d'une grève ni peut-être même son déclenchement. C'est tout comme si la loi permettait aux gens de s'armer pour défendre leurs biens et leur pays et en même temps les obligeait à respecter intégralement le 6^{eme} Commandement de Dieu (Homicide point ne seras...).

Pour justifier l'intervention de l'Etat au-delà de ce que prévoit la Loi sur les relations industrielles et sur les enquêtes visant les différends du travail, on s'appuie sur la notion de "l'intérêt national". D'autre part, comme la loi précitée a, elle aussi, pour but de sauvegarder "l'intérêt national", elle ne répond pas à ce besoin puisqu'il faut que le gouvernement vienne ajouter son action directe. On peut donc se demander la raison d'un tel échec.

L'échec vient de ce que les parties n'ont pas pu ou n'ont pas voulu se conformer à l'une des principales dispositions de la loi, celle qui demande aux intéressés de négocier de bonne foi. Le refus des chemins de fer de formuler des contre-propositions à la suite des revendications des syndicats a éliminé la possibilité de négocier avant le recours à la conciliation ou pendant que ce mécanisme était en marche. Bien plus, la conciliation elle-même en est venue à être considérée comme une cérémonie fastidieuse et coûteuse, une simple occasion d'exposer ses vues sur les questions en jeu et sur divers sujets connexes.

Que serait-il arrivé si les différends avaient pu évoluer jusqu'au point critique, le gouvernement décidant de ne pas intervenir et montrant que c'était là sa ferme politique? S'il y avait eu véritablement possibilité de grève, les chemins de fer auraient-ils attendu à la dernière minute aussi souvent qu'ils l'ont fait? Un représentant syndical a affirmé à ce

propos: "Les syndicats et les chemins de fer auraient été forcés de trouver une solution quelconque à leurs problèmes communs." Selon ce représentant, le recours à la conciliation et la possibilité d'une intervention de la part du gouvernement constituent des obstacles à la recherche de solutions plus efficaces.

Bien que les négociations collectives vraiment libres doivent demeurer l'idéal à atteindre, le contexte économique-politique actuel rend inévitable une certaine mesure d'intervention de la part de l'Etat. La population considère les chemins de fer comme des entreprises d'utilité publique et ne tolérera pas que des différends entre patrons et ouvriers interrompent les services ferroviaires. Dans une telle conjoncture, aucun gouvernement ne peut demeurer passif devant une possibilité réelle de grève. En pratique, l'objectif doit donc être de mettre au point une meilleure méthode de négociation collective de façon à réduire la fréquence des cas où l'Etat doit intervenir.

L'examen des événements des années 1958-1961 montre clairement l'importance du facteur politique dans la détermination des tarifs ferroviaires et l'influence qu'il exerce sur le déroulement des négociations collectives.

Le 29 juillet 1958, une commission de conciliation présidée par le juge Thompson recommandait certaines hausses de salaire réparties sur deux ans et versées rétroactivement à compter du 1^{er} janvier 1958. Tout en reconnaissant que ces augmentations étaient raisonnables, les chemins de fer ont alors informé le ministre du Travail qu'ils ne pouvaient "ni accepter ni rejeter" le rapport tant qu'on ne saurait pas d'où viendrait l'argent nécessaire 1/. De toute évidence, le différend qui s'est alors fait jour—vote de grève, annonce de la date de mise en grève, état de crise générale dont

l'aboutissement a été l'entente du 27 novembre—n'opposait pas le patronat et les syndicats, mais bien les chemins de fer et le gouvernement. L'absence de politique gouvernementale et l'indécision aux niveaux supérieurs furent dans une grande mesure la cause de la confusion qui régnait durant cette période.

Le 17 novembre 1958, la Commission des transports autorisait les chemins de fer à relever les tarifs-marchandises de 17 p. 100 à compter du 1^{er} décembre 1958. Par la suite, huit provinces formulèrent des protestations, alléguant qu'une hausse générale des tarifs-marchandises était injuste puisque le nouvel ensemble de tarifs-marchandises défavorisait certains usagers. En mars 1959, le gouvernement annonçait qu'aucune autre augmentation générale des tarifs ne serait accordée tant qu'une commission royale d'enquête 2/ n'aurait étudié la question et présenté son rapport. Le gouvernement adoptait également la Loi sur la réduction des taux de transport des marchandises entrant en vigueur le 1^{er} août 1959. Cette mesure ramenait à 10 p. 100 l'augmentation de 17 p. 100 autorisée par la Commission des transports et accordait aux chemins de fer vingt millions de dollars par année pour compenser cette diminution. De la sorte, les chemins de fer devaient compter encore davantage sur l'Etat pour leurs ressources financières, ce qui annonçait de nouvelles interventions directes du gouvernement dans les différends entre patrons et ouvriers. Le 2 mai 1960, la Commission des transports réduisait une fois de plus l'augmentation des tarifs-marchandises antérieurement accordée, la ramenant à 8 p. 100.

Les provinces s'étaient également demandé "si la Commission des transports pouvait légitimement accorder une augmentation des tarifs-marchandises en se fondant sur une éventuelle hausse de salaires, que ni les chemins de

fer ni les syndicats n'avaient pleinement approuvée". Reconnaisant le bien-fondé de cette critique, le gouvernement déclarait par la suite: "Nous estimons qu'à l'avenir les chemins de fer et leur personnel syndiqué devront en venir à une entente précise avant que la Commission des transports puisse se fonder sur une hausse de salaire pour accorder un relèvement des tarifs-marchandises. S'il n'en est pas ainsi, la Commission, comme elle l'avait elle-même prévu, peut être forcée de se prononcer sur des ententes salariales qui ne sont pas vraiment de son ressort" 3/. Cette déclaration reconnaissait implicitement que les ententes salariales pouvaient servir de guide pour le relèvement des tarifs-marchandises. Toutefois, la suite des événements infirme cette thèse: la hausse des tarifs de 17 p. 100 a été approuvée le 17 novembre 1958, la déclaration du gouvernement date du 26 novembre, et l'entente patronale-syndicale a été conclue le 27 novembre. D'autre part, comme on l'a signalé plus haut, le gouvernement déclarait en mars 1959 qu'il n'autoriserait plus de hausse générale des tarifs et réduisait de 17 à 10 p. 100 l'augmentation déjà consentie. Dans un tel contexte, il n'est guère possible que le patronat et les syndicats négocient vraiment en vue d'une entente ferme. Les événements qui ont entouré le renouvellement des conventions subséquentes le montrent bien.

En août 1960, une commission de conciliation présidée par le juge J.V. Milvain recommandait une augmentation d'environ 14¢ l'heure répartie sur deux ans et rétroactive au 1^{er} janvier 1960. Les chemins de fer ont alors déclaré que la politique du gouvernement relativement à la hausse des tarifs-marchandises les empêchait d'accepter le rapport. Le différend alla s'aggravant de sorte que la grève fut fixée au 3 décembre 1960. Le 2 décembre 1960, la Loi sur la continuation de l'exploitation des chemins de fer entrait en vigueur. Comme d'autres conflits opposant censément le patronat et les

syndicats, ce conflit était en réalité un affrontement entre les chemins de fer et le gouvernement. Pour les chemins de fer, le débat ne portait pas sur le bien-fondé de l'augmentation de salaire qui était proposée, mais bien plutôt sur l'opportunité d'accepter la politique du gouvernement qui interdisait de modifier les services et les tarifs pour compenser les augmentations de frais d'exploitation. En rejetant le rapport, même s'ils en acceptaient peut-être la teneur, les chemins de fer invitaient en fait les syndicats à faire ce qu'ils auraient eux-mêmes voulu faire, suspendre les services.

Au début de mai 1961, une entente était conclue dans le cadre des recommandations de la Commission de conciliation, le gouvernement ayant accepté la proposition de la Commission royale d'enquête sur les transports demandant à l'Etat de verser cinquante millions de dollars par année aux chemins de fer en compensation des services dits d'intérêt national. Une fois de plus, un conflit syndical était réglé sans aller au coeur du problème—la réglementation excessive des tarifs et des services ferroviaires.

Le problème s'est présenté de nouveau en 1964: les chemins de fer ont rejeté la recommandation d'une commission de conciliation en faveur d'une hausse de salaire. Dans une lettre datée du 22 juin 1964 et adressée au Premier ministre du Canada, les présidents du National-Canadien et du Pacifique-Canadien déclaraient: "Les Chemins de fer n'ont ni l'autorisation d'exiger davantage pour leurs services en vue de compenser l'augmentation des frais ni celle de supprimer les services déficitaires pour effectuer des économies. Dans ces conditions, ils ne peuvent s'engager à absorber les énormes frais supplémentaires qui découleraient de l'adoption du rapport majoritaire de la Commission de conciliation Munroe. Il est possible que

le rejet du rapport mène inévitablement à une grève dans l'industrie ferroviaire mais les circonstances ne nous laissent pas d'autre choix. Avant d'en venir là, nous avons toutefois voulu vous faire part de la situation".

De toute évidence, le conflit ne mettait pas en cause les chemins de fer et les syndicats, mais bien les chemins de fer et le gouvernement. On pouvait donc supposer que l'élimination des contraintes imposées aux chemins de fer pourrait porter ceux-ci à mieux accueillir les demandes des syndicats et les recommandations des commissions de conciliation.

Si le principal obstacle à l'instauration de négociations collectives efficaces dans l'industrie ferroviaire était vraiment le cadre juridique qui restreignait l'action des chemins de fer, l'assouplissement marqué de la réglementation ferroviaire qui a suivi l'adoption de la Loi nationale sur les transports de 1967 aurait dû ouvrir une ère de véritable négociation collective. Les autorités en la matière estiment pourtant que la situation ne changera guère dans l'immédiat, même si les dernières négociations ont été fructueuses. D'aucuns signalent que l'élimination des entraves juridiques ne fait que libérer la voie: il faut décider de l'utiliser ou non, choisir la façon de procéder, déterminer le chemin à parcourir, etc. Tout cela dépendra de la mesure dans laquelle les intéressés sont habitués aux anciens parcours. Bien que les dernières conventions aient suscité de l'optimisme chez les participants et les observateurs, il n'en faudra pas moins quelque temps pour se familiariser avec les techniques difficiles de la négociation collective.

L'attitude du gouvernement, tout comme celle des deux parties, jouera un rôle primordial dans l'évolution des négociations collectives dans l'industrie ferroviaire. Cette évolution dépendra dans une grande mesure de la

place que le gouvernement voudra tenir dans les nouvelles structures. S'il veut favoriser l'établissement de négociations collectives véritablement libres, il doit convaincre les parties qu'il n'interviendra dans l'élaboration des salaires et des conditions de travail que dans la mesure prévue par la Loi sur les relations industrielles et sur les enquêtes visant les différends du travail. D'autre part, pour s'assurer qu'il ne cédera pas à la provocation et aux pressions, le gouvernement doit se convaincre d'abord que l'intérêt national demande qu'on laisse les parties en venir à une entente à la suite de négociations collectives vraiment libres, au risque de provoquer la suspension des services ferroviaires. Les chemins de fer ne cesseront de s'en remettre commodément à la conciliation et accepteront de négocier véritablement que lorsqu'ils seront convaincus que le gouvernement n'interviendra pas.

La conciliation et les négociations collectives

Il a été dit au début de la présente étude que dans les différends entre les syndicats et l'industrie ferroviaire la conciliation remplaçait d'ordinaire, et cela bien imparfaitement, les négociations collectives, état de choses qui nuisait à l'établissement de véritables négociations collectives. Au lieu de créer et d'entretenir un climat favorable à la négociation, au lieu de faire en sorte que les discussions soient le prolongement des négociations préliminaires, le mécanisme de la conciliation, la plupart du temps, créait une ambiance de tribunal. Il incombait aux représentants syndicaux a) de montrer que les conditions de travail et les salaires existants n'étaient pas "justes et raisonnables" et b) de démontrer le bien-fondé des modifications que les syndicats voulaient apporter aux conventions. Cette façon de procéder permettait aux chemins de fer

de concentrer leurs efforts sur les points suivants: présentation d'arguments d'ordre général fondés sur les difficultés qui résulteraient, au niveau de l'exploitation et des finances, de l'adoption globale des propositions syndicales, rappel des restrictions que la loi impose aux chemins de fer, et interrogatoire contradictoire des représentants syndicaux. En fin de compte, il incombait à la commission de conciliation, mise en présence de demandes mais non d'offres, de s'attaquer à la tâche délicate entre toutes du choix des critères devant mener à une solution "impartiale", "honorable", "équitable", "juste et raisonnable".

Certaines commissions se sont sérieusement efforcées d'amener les parties à négocier. Certaines, particulièrement celles que présidait le juge F. Craig Munroe, ont voulu trouver des critères rationnels pour déterminer les changements à apporter aux conventions collectives. La plupart des commissions, malheureusement, n'ont rien fait de tel. Elles se sont contentées d'audiences au lieu de faciliter les négociations; elles ont toléré des interrogatoires contradictoires qui visaient à déformer les faits plutôt qu'à informer; elles ont porté des jugements au lieu de travailler à la conciliation; enfin, elles ont rendu des décisions de caractère judiciaire au lieu de présenter les bases d'une solution.

A titre d'exemple de procédures qui ont éloigné les parties au lieu de les rapprocher par la conciliation, rappelons le différend de 1966 qui opposait la Fraternité canadienne des cheminots et employés des transports et autres ouvriers aux Chemins de fer nationaux du Canada. La Fraternité demandait que l'augmentation de salaire soit proportionnelle à l'accroissement de la productivité. Dans son rapport, le président de la Commission de conciliation a rejeté la demande de la Fraternité, estimant qu'une

augmentation de salaire proportionnelle à l'accroissement de la productivité ne laisserait rien au compte des autres éléments qui influent sur l'accroissement de la productivité. Il déclarait:

Ce serait une erreur de prétendre que tout le fruit de l'accroissement réel de la productivité doive être attribué à la main-d'oeuvre et consacré entièrement au relèvement des salaires.... Il semble évident que d'autres facteurs doivent être pris en considération, entre autres les investissements, la modernisation du matériel et la compétence des administrateurs.

Ce rapport contient tous les éléments qui devraient être étrangers à un rapport de conciliation—connaissance insuffisante de la question, ton et orientation nettement favorables à l'une des parties, et refus d'examiner certains points sous prétexte qu'on les a déjà étudiés à l'occasion d'autres différends. Un tel rapport tend bien plus à diviser qu'à concilier. Tous les commentaires qui ont été faits au sujet de cette commission et de ce rapport, particulièrement ceux qui émanaient des représentants syndicaux, ont été extrêmement défavorables. L'un des délégués syndicaux déclarait à ce sujet: "Dès le début, il a été évident que le président appuyait les chemins de fer et ne connaissait pas suffisamment la question. Nous avons donc décidé de raccourcir notre exposé et de limiter nos interventions de façon à obtenir un rapport le plus rapidement possible. Nous savions à quel genre de rapport il fallait s'attendre et que ça ne valait pas la peine de s'en faire." Lorsqu'une des parties adopte une telle attitude ou y est amenée par les circonstances, la conciliation devient le prolongement stérile de la période de négociation.

Nécessité d'une commission de conciliation

Nous proposons que les mécanismes intermittents de conciliation soient remplacés par un organisme permanent, une Commission de conciliation et

d'arbitrage des services essentiels. Le mode d'organisation et les pouvoirs de la Commission, de même que ses rapports avec le gouvernement et avec les ministères, ressembleraient à ceux de la Commission des transports, de la Commission du tarif et de la Commission d'enquête sur les pratiques restrictives du commerce.

La Commission aurait pour tâche principale d'assurer les services de conciliation; elle aurait également une autre fonction importante à exercer, la création de services de recherches chargés de recueillir les données sur lesquelles s'appuierait le règlement des différends. La Commission aurait à son service des spécialistes en recherches, assurerait la formation de conciliateurs et d'arbitres, entendrait les appels auxquels donnerait lieu l'interprétation de conventions collectives, et d'une façon générale posséderait les mêmes pouvoirs quasi judiciaires que les organismes précités.

Le projet repose sur cinq hypothèses de base:

1. La plus grande faiblesse des relations syndicales réside dans le manque de données sûres sur la sécurité de l'emploi. Lorsqu'il est question de modifier les méthodes de production, les exigences techniques des emplois, et, généralement, la nature du travail, le fait de ne donner aucun renseignement aux employés, ou de ne leur communiquer que des détails vagues, insuffisants ou inexacts, devient une source d'incertitude, de méfiance, d'insécurité au travail, et nuit gravement au progrès des négociations. Il ne peut y avoir de relations satisfaisantes en l'absence de connaissances suffisantes. La Commission pourrait devenir une source de renseignements sûrs et de la sorte aider à supprimer l'un des principaux obstacles contre lesquels échouent les négociations collectives.

2. L'une des graves faiblesses du processus actuel de conciliation vient de ce qu'il est une institution de l'Etat. Tant que ce mécanisme relèvera directement d'un ministère, on aura raison de craindre, semble-t-il, que les conciliateurs s'inspirent de la politique économique du gouvernement. Rien n'indique que le gouvernement intervienne directement dans le processus de la conciliation et de l'arbitrage: toutefois, les déclarations publiques émanant de membres du Cabinet et insistant pour qu'on tienne compte de la situation économique sont forcément remarquées par ceux qui ont à rendre jugement en matière de revendications salariales. Les arbitres peuvent difficilement examiner une augmentation de salaire dans l'abstrait: ils doivent inévitablement tenir compte des conséquences de leur décision. Il s'agit de savoir si les conciliateurs désignés par le gouvernement ou directement à son service se laissent trop influencer par la politique économique de l'heure. Plus on a l'impression qu'ils ont subi cette influence de façon à pencher en faveur de la politique du gouvernement, moins les parties seront portées à accepter la décision des conciliateurs.
3. Le gouvernement va continuer d'estimer que l'interruption des services ferroviaires dans le cadre d'un différend syndical est contraire à l'intérêt national.
4. Tant que la population considérera les services ferroviaires comme des services publics essentiels, la nature et le processus de l'intervention des services publics dans la solution des différends syndicaux ferroviaires devront différer passablement de ceux qui entrent en jeu dans les autres industries.

5. L'existence d'un organisme public chargé de réglementer l'exploitation et la tarification ferroviaires, et le fait de recourir à des lois spéciales pour établir certains services ferroviaires et les tarifs afférents montrent que l'industrie ferroviaire occupe vraiment une position spéciale dans l'économie.

Afin que, comme ce fut le cas par le passé, l'existence d'un service de conciliation ne pousse les parties à négliger les négociations qui doivent précéder l'étape de la conciliation, nous proposons également que les séances de négociation soient présidées par un membre de la Commission et que le recours à la conciliation n'ait lieu qu'avec son autorisation. Nous supposons ici qu'aucune des parties ne voudra qu'un organisme public l'accuse de refuser de négocier ou de négocier de mauvaise foi. Le Commissaire refusera le recours à la conciliation tant qu'il n'aura pas la ferme conviction que la première phase des négociations collectives est vraiment terminée.

La deuxième phase débutera avec le renvoi du différend à la Commission de conciliation. En plus d'entreprendre le travail de conciliation proprement dit, la Commission tirera parti de ses ressources et de son expérience spécialisées pour rechercher une solution acceptable de part et d'autre. Il devrait également y avoir soit un lien de caractère législatif, soit une liaison de travail entre la Commission de conciliation et la Commission des transports. L'existence éphémère des commissions de conciliation actuelles interdit l'établissement de tels liens.

Si la phase de la conciliation (deuxième phase) ne mène pas à une solution, on mettra fin à la conciliation. Dans la troisième phase, la Commission elle-même fera l'examen des points en suspens. Ensuite en

consultation avec la Commission des transports et le gouvernement, la Commission présentera un rapport sur les normes à respecter pour régler le différend. Essentiellement, la troisième phase sera une phase d'arbitrage obligatoire. Toutefois, contrairement à l'arbitrage obligatoire qui a généralement cours, le processus que nous recommandons fera partie intégrante des mécanismes de négociation collective et de conciliation. Comme les normes de solution seront présentées par des spécialistes qui auront participé aux discussions depuis le début, on aura vraiment l'assurance que la décision sera fondée sur la connaissance la plus complète possible de la question et des revendications des parties.

Il faut espérer qu'on aura rarement recours à la troisième phase. La présence d'un représentant de la Commission au stade initial des négociations devrait forcer les parties à négocier et devrait les dissuader de recourir à des manoeuvres dilatoires. L'existence d'une commission permanente de conciliation, pourvue de spécialistes et dotée de services de recherches, devrait réduire considérablement la durée des formalités, en garantir l'impartialité, et faire en sorte que les conciliateurs et les arbitres agissent en connaissance de cause.

La Commission serait également appelée à maintenir des relations constantes avec le patronat et les syndicats. On la consulterait dès qu'il serait question d'utilisation de main-d'oeuvre et de relations syndicales: elle travaillerait à régler les problèmes existants ou à prévenir les conflits. La Commission devrait par exemple être mise au courant des mesures envisagées par le patronat et de nature à toucher directement ou indirectement les employés. La Commission convoquerait alors les parties pour s'assurer qu'elles comprennent toutes deux la portée des changements proposés et

l'ampleur des répercussions qu'ils auront sur le personnel. Cela fait, il faudrait s'assurer qu'il y a unanimité sur la nécessité d'un changement, du point de vue de l'efficacité, et ensuite chercher comment réduire au minimum les inconvénients de la mesure pour les employés. Certains prétendent qu'une telle médiation semi-coercitive éliminera toute possibilité de développement des négociations collectives dans l'industrie ferroviaire une fois qu'on aura assoupli les restrictions relatives aux tarifs et aux services. D'autres estiment, au contraire, que les syndicats et le patronat ont une telle aversion pour l'arbitrage obligatoire qu'ils ne négligeront rien pour s'en dégager. Il n'en reste pas moins que si les parties directement intéressées aux relations industrielles détestent l'arbitrage obligatoire, la prévention des grèves dans l'industrie et dans les services essentiels, en recourant au besoin à la coercition, semble avoir l'appui de la majorité de la population. Le gouvernement doit en tenir compte.

Compte tenu du rôle vital des chemins de fer dans l'économie, la seule façon d'échapper à l'arbitrage obligatoire, c'est de ne pas laisser les relations ouvrières-patronales en arriver là. La Commission de conciliation et d'arbitrage dont on propose la création devrait y contribuer. On devrait également créer une commission conjointe syndicale-patronale, au niveau supérieur, qui examinerait dès l'abord les questions litigieuses, qui confierait à des spécialistes l'étude des points qui exigent un examen approfondi et détaillé, et qui passerait périodiquement en revue les sujets qui se rattachent à la négociation collective. L'existence de cette commission conjointe réduirait la publicité qui accompagne les séances annuelles et bisannuelles de négociation de même que la tension croissante du "compte à rebours" lorsqu'il faut trouver une solution à une foule de problèmes complexes dans un laps de temps relativement limité.

Certains chefs syndicaux se sont dits prêts à faire partie d'une telle commission. Ils estiment qu'elle peut grandement faciliter la création d'une ambiance propice aux négociations collectives. A ce qu'il semble, ils souhaitent tellement éliminer tous les motifs pour lesquels le gouvernement pourrait intervenir et ils veulent tellement secouer la tutelle de l'Etat qu'ils consentiraient à faire l'expérience de toute méthode pouvant favoriser le libre jeu des négociations collectives.

Certains événements survenus depuis quelques mois dans le monde des relations industrielles—ils ont fait les manchettes des journaux—ont créé l'illusion qu'il n'est plus urgent ni même nécessaire de créer de nouveaux rouages. Il serait dangereux d'en venir à une telle conclusion. Le fait de compter sur l'intervention personnelle d'un ministre pour prévenir une grève ou la raccourcir nuit à l'efficacité des négociations collectives. Comme on l'a signalé plus haut, l'un des buts de la Loi sur les relations industrielles et sur les enquêtes visant les différends du travail est de protéger l'intérêt public lorsqu'il est menacé par les différends syndicaux. S'il est vrai que cette loi ne joue plus efficacement ce rôle, il faut la modifier. L'intervention personnelle d'un ministre à titre d'arbitre de dernier ressort n'élimine nullement la nécessité d'une loi efficace.

Quelques réflexions sur l'échec des négociations collectives—
Le cas des chauffeurs de locomotives et celui du prolongement
des parcours des équipes de train

Les différends dont il est ici question ont fait l'objet d'une grande publicité et n'ont pas à être présentés ici par le détail. Nous voulons avant tout faire ressortir dans ces conflits les éléments qui caractérisent les relations ouvrières-patronales dans les chemins de fer. Le cas des chauffeurs de locomotive Diesel s'est présenté lorsque le Pacifique-Canadien

a proposé en 1956 l'élimination des chauffeurs dans les locomotives Diesel affectées au service des marchandises ou au service de manoeuvre; le cas du prolongement des parcours a porté sur la décision du National-Canadien en 1964 d'éliminer les haltes et les changements d'équipe aux centres ferroviaires de Nakina et de Wainwright.

Les deux conflits tirent leur origine du même changement technologique, l'avènement de la locomotive Diesel. Son utilisation supprimait la tâche traditionnelle du chauffeur et rendait possible l'allongement des parcours sans remplacement d'équipe. Rien d'étonnant à ce que les chemins de fer cherchent à éliminer la fonction de chauffeur et à faire rouler les trains sans arrêts inutiles. Pourtant, les tentatives faites pour réaliser ces changements ont été la source de conflits—deux grèves de chauffeurs, et une grève-éclair de la part des employés qui cessaient d'être rattachés aux centres de Nakina et de Wainwright.

Ces deux différends du travail constituent un exemple patent de ce qui survient presque inévitablement quand l'une des parties déclare qu'une question n'est pas négociable quelle qu'en soit l'importance pour l'autre partie, et quand certains changements d'ordre technologique sont effectués sans consultation préalable avec les représentants syndicaux au sujet des inconvénients qui peuvent en découler pour les employés et au sujet des mesures propres à atténuer ou à supprimer ces inconvénients. Bien que la cause immédiate de ces problèmes ait été l'évolution technologique, la cause fondamentale de ces conflits a été l'insuffisance de négociations collectives.

Ni dans un cas ni dans l'autre, on n'a mis en doute le droit des entreprises d'effectuer des changements d'ordre technologique. Ce qui a été contesté, c'est le droit d'apporter ces changements sans avoir suffisamment

consulté les représentants des ouvriers intéressés et sans avoir formulé de programme précis relativement à l'avenir des employés dont le gagne-pain était menacé. Le conflit des chauffeurs de locomotives Diesel mettait en danger non seulement l'emploi d'un certain nombre de cheminots mais aussi l'existence même du métier et par la suite celle du syndicat des chauffeurs. Pourtant le porte-parole de la Fraternité des chauffeurs et des mécaniciens de locomotives n'en déclarait pas moins:

Si la Compagnie avait jugé bon d'inclure dans son projet de réorganisation un programme d'action précis au sujet des chauffeurs de locomotives Diesel, donnant le détail de ce qu'elle entendait faire à l'endroit du millier de chauffeurs qui seraient immédiatement mis à pied et du nombre non négligeable de chauffeurs qui en fin de compte perdraient leur emploi, le syndicat aurait peut-être assoupli ou modifié au moins sur certains points son refus de faire des concessions, attitude qu'il a maintenue pendant tout le conflit. 4/

Dans le conflit relatif au prolongement des parcours, le National-Canadien a soutenu que les conventions collectives accordaient au patronat le droit de changer unilatéralement les conditions de travail durant la durée du contrat. A supposer qu'il en eût été ainsi, il fallait pourtant se demander s'il convenait d'exercer ce droit sans consulter d'abord les représentants syndicaux et sans prendre les mesures voulues pour éliminer ou atténuer les inconvénients d'une telle action. L'argument dit "des droits résiduels" peut n'être qu'un prétexte pour excuser les erreurs commises dans le domaine des relations industrielles. A l'occasion d'une conférence sur les relations entre le patronat et les syndicats, organisée par le Conseil économique du Canada, M. Donald Gordon affirmait que les chefs d'entreprise sont orientés vers l'action et de la sorte donnait à entendre qu'ils n'avaient pas le temps d'entreprendre des consultations et des négociations avec les chefs syndicaux avant de modifier la technologie et l'exploitation existantes.

Cette affirmation reflète en matière de relations industrielles une attitude vraiment peu propice à la collaboration entre le patronat et les syndicats.

Il arrive qu'on dispose de bien peu de temps entre le moment où l'entreprise entreprend l'étude de changements dans son organisation ou son exploitation et le moment où ils sont effectués. Dans d'autres cas, à cause des exigences de la concurrence, il faut agir sans retard et sans publicité préalable. On pourrait alors avoir quelque peu raison de s'opposer à des formalités qui causeraient des retards excessifs. Toutefois, la plupart des changements qui ont donné lieu à des conflits syndicaux étaient de ceux qu'il fallait étudier avec soin et préparer de longue main. Le manque de temps ne semble donc pas avoir été un obstacle à la consultation. Le conflit relatif au prolongement des parcours le montre bien: la décision de prolonger les parcours a été précédée par une étude passablement détaillée de chacun des aspects du changement projeté et néanmoins on ne l'a annoncée qu'à la dernière minute et on n'en a fait part aux employés, à leurs syndicats, et aux collectivités intéressées que sous sa forme définitive. Non seulement les syndicats ne furent pas consultés, mais leurs représentants officiels dans les régions touchées par la mesure ne furent pas renseignés d'avance sur la réunion convoquée par la Compagnie à Nakina pour le 30 septembre 1964 pour annoncer qu'elle ferait l'acquisition des maisons des employés obligés de déménager!

Dans son rapport sur ce conflit, le juge Freedman critiqua sévèrement la façon dont la Compagnie avait convoqué et mené les réunions de Nakina. 5/ Tout en déclarant qu'il fallait féliciter la Compagnie de vouloir acheter les maisons des employés qui devaient déménager, il exprima l'avis que la décision de ne pas informer les représentants syndicaux de la tenue des

réunions ne pouvait que nuire aux relations syndicales. A partir de l'élaboration initiale du projet jusqu'à la tentative de mise en oeuvre, le comportement de la Compagnie a semblé n'avoir pour but que de jeter le discrédit sur les représentants syndicaux dans l'esprit de ceux qu'ils devaient protéger contre l'arbitraire. Selon le juge Freedman, les employés qui se sont absentés du travail pour raison de "maladie" ne protestaient pas simplement contre le prolongement des parcours mais aussi contre la façon arbitraire dont la Compagnie voulait mettre le programme en vigueur et contre les chefs syndicaux qui n'avaient pas su les garantir des changements apportés unilatéralement par la Compagnie aux conditions de travail pendant la durée d'une convention.

Nombre de représentants de la Compagnie ont reconnu par la suite qu'elle avait commis une erreur en soutenant que le prolongement des parcours était une question non négociable qu'il fallait inclure dans le domaine des prérogatives de la Direction. Ni la Compagnie ni encore moins le juge Freedman ne pouvaient prévoir les conséquences d'une telle attitude. Il en est résulté que tous les chemins de fer ont, dans une convention collective subséquente, pris l'engagement: 6/

- a) de ne mettre en vigueur aucun changement qui, se rattachant à la technologie, l'exploitation et l'organisation, semble avoir un caractère permanent et peut modifier de façon appréciable les conditions de travail, de façon à présenter des inconvénients pour les employés, sans donner un préavis d'au moins 90 jours s'il est question de déménager des employés et d'au moins 60 jours dans les autres cas;

- b) de négocier avec les syndicats les mesures propres à réduire au minimum les inconvénients que les changements proposés peuvent avoir sur les employés;
- c) de soumettre à la médiation d'une Commission de revision composée d'un nombre égal de représentants des deux parties toutes les questions au sujet desquelles il n'y a pas entente;
- d) de soumettre à l'arbitrage obligatoire toutes les questions au sujet desquelles la Commission a fait des recommandations inacceptables à l'une ou l'autre des parties.

Bien que les compagnies conservent le droit d'apporter des changements se rattachant à la technologie, l'exploitation et l'organisation, elles ne peuvent les mettre en vigueur sans qu'il y ait entente ou arbitrage au sujet des mesures propres à compenser ou atténuer les inconvénients que les changements peuvent présenter pour les employés.

Si une entente du même genre avait existé entre les chemins de fer et la Fraternité des chauffeurs et des mécaniciens de locomotives le différend relatif à l'élimination des chauffeurs de locomotives affectés au service des marchandises et au service de manoeuvre ne se serait peut-être pas produit. Le problème était toutefois beaucoup plus complexe: il mettait en jeu non seulement l'élimination des chauffeurs, mais aussi celle du métier et du syndicat. Dans les circonstances, on peut comprendre pourquoi la Fraternité aurait pu refuser de signer une convention reconnaissant aux chemins de fer le droit d'apporter des changements relatifs à la technologie, à l'exploitation et à l'organisation et ne permettant de discuter rien d'autre que les mesures à prendre pour atténuer les inconvénients que ces changements pourraient présenter pour les employés.

Il faut conclure de tout cela que la négociation collective ne résoud pas nécessairement tous les problèmes de relations ouvrières-patronales et que la législation ouvrière devrait peut-être prescrire qu'en cas du refus d'une partie de poursuivre des négociations sur un point donné, un tribunal impartial soit appelé à rendre une décision.

NOTES

- 1/ Déclaration faite par le Gouvernement le 26 novembre 1958.
- 2/ Le 13 mai 1960, création de la Commission royale d'enquête sur les transports, dite Commission MacPherson, dont le mandat est défini par le Décret du Conseil, C.P. 1959-577.
- 3/ Déclaration du Gouvernement le 26 novembre 1958.
- 4/ M. W.E. Gamble, parlant au nom de la Fraternité des chauffeurs et des mécaniciens de locomotives, Gazette du Travail, février 1957.
- 5/ Report of the Industrial Inquiry Commission Relating to CNR "Run-Throughs", Mr. Justice Samuel Freedman, Commissioner.
- 6/ Article VII de la convention intitulée "Master Agreement Between CNR and CPR and Other Railways and the Associated Railways Unions of Non-Operating Employees", et datée du 14 mars 1967.

